

Barnett & Moro, P.C.

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January 20, 2023

To the Mayor and City Council
City of Hermiston
180 NE 2nd St.
Hermiston, OR 97838

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermiston, Oregon for the year ended June 30, 2022. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards and Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 13, 2022. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Hermiston, Oregon are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by City of Hermiston, Oregon during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

Management's estimate of the useful lives of depreciable assets is based on past experience. Management's allocation of expenses by function is based on time records, usage, and other reasonable methods. We evaluated the key factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 20, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses are not a condition to our retention.

Other matters

We applied certain limited procedures to the management's discussion and analysis, the Schedule of the Proportionate Share of the Net Pension Liability, the Schedule of Contributions, the Schedule of Proportionate Share of the Net OPEB Liability (Asset), the Schedule of Contributions, the Schedule of Changes in the City's OPEB Liability and Related Ratios, and the Notes to Required Supplementary Information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the budgetary comparison information for the General Fund, the State Street Tax Fund, and the supplementary information section, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory section and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Suggestion for Improved Budget Monitoring

In order to improve budget monitoring, we suggest that the finance department perform a regular review of the budget and actual expenditures. We would recommend this be done quarterly at a minimum, increasing in frequency towards year end, as necessary. This will provide budget oversight to detect when budget over expenditures are approaching. Management would then be able to take the necessary actions to prevent budget over expenditures.

Restriction on use

This information is intended solely for the information and use of the Mayor, City Council, and management of City of Hermiston, Oregon and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,
Barnett & Moro, P.C.



Richard L. Stoddard, Shareholder

CITY OF HERMISTON, OREGON

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ending June 30, 2022



Prepared By:
The Finance Department
City of Hermiston



CITY OF HERMISTON, OREGON

**Financial Statements and
Independent Auditors' Report**

June 30, 2022



Where Life is Sweet

CITY OF HERMISTON, OREGON

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

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CITY OF HERMISTON, OREGON

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022

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CITY OF HERMISTON, OREGON

ANNUAL COMPREHENSIVE FINANCIAL REPORT

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INTRODUCTORY SECTION



Administrative Offices

January 20, 2023

To the Citizens of the City of Hermiston

The annual comprehensive financial report of the City of Hermiston, Oregon, for the fiscal year ended June 30, 2022, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles.

The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and county financial assistance, the City also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management of the City.

Oregon statutes require an annual audit by independent certified public accountants. The accounting firm of Barnett and Moro, P.C., was selected by the City. The auditors' report is included in the financial section of this report.

City management provides a narrative introduction, overview and analysis to accompany the basic financial statements in the form of the Management Discussion and Analysis (MD&A). The City's MD&A can be found following the auditors' report.

CITY PROFILE

Hermiston (population 19,354 according to the 2020 U.S. Census) is a progressive, growth oriented urban center for an area based economically on transportation/logistics, agriculture, food processing and other light industry. Data center management is growing sector of the regional economy. Hermiston is located in west Umatilla County in northeast Oregon, less than a day's drive from major markets such as Portland, Spokane, Seattle and Boise, 35 miles south of the Tri-Cities, Washington, and six miles south of the Columbia River.

Hermiston is the merging point for two interstate highways, I-82 (north-south) and 1-84 (east-west). It offers Union Pacific's Hinkle Rail Yard to the south and the Port of Umatilla's barge loading facilities to the north. Hermiston owns a municipal airport to complete this hub of commercial and industrial transportation. Hermiston's other municipal facilities include a public safety center, housing police, municipal court and fire (not a city department); the Hermiston Community Center; the Harkenrider Senior Center; the Eastern Oregon Trade and Event Center (EOTEC), a regional conference and event complex; public works building; wastewater treatment plant; public library; twelve city parks encompassing 114 acres and water, sewer and electric utilities. There are approximately 95 full-time city employees and 12 permanent part-time employees. In the 1960s, the voters approved the council-manager form of government. The current city charter provides for eight councilors, mayor and a municipal judge that are elected. The council hires a city manager to direct the day to day activities of the City.

The City provides a full range of services, either in-house or through the use of third-party contractors. These services include police protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general government activities, the City operates electric, water, and sewer utility systems.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body.

Budgetary controls comply with Oregon's Local Budget Law, contained in Chapter 294 of the Oregon Revised Statutes (ORS). This law does two very important things:

1. It establishes standard procedures for preparing, presenting, and administering the budget.
2. It requires citizen involvement in the preparation of the budget and public disclosure of the budget before its formal adoption.

An annual budget resolution is passed by the City Council; thus it becomes the formal budget for City operations. Budgetary control is maintained at the organizational unit level within funds. The legally adopted budget is at the department level for current expenditures, with separate appropriations established for categories such as capital projects, debt service, transfers, and contingencies.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

ECONOMIC CONDITIONS AND OUTLOOK

A labor market economist for the State of Oregon speaks of Hermiston as "one of the most desirable sites for industrial development in the Pacific Northwest" because of its low land costs, large inventory of industrially zoned land, reasonable local taxes and excellent access to transportation routes. The citizens and government of Hermiston boast a progressive, growth oriented philosophy that encourages new businesses to locate here. There are approximately 40,000 people living within 10 miles of downtown Hermiston, and there are more than 100,000 people employed within a 25-mile radius of the city. The State of Oregon's certified 2021 population estimate for the city is 19,696.

Recent years have seen the ongoing expansion of medical services in Hermiston. Good Shepherd Medical Center (GSMC) expanded its surgical facilities in 2015 and completed construction of a new medical office building to add additional doctor's suites. These expansions have added 55 new full time employees to GSMC's payroll since 2015. Guardian Angel Homes completed construction of a 32-unit memory care facility in 2016. GSMC continues to invest in additional facilities and is always looking to enhance services available in the Hermiston area.

Hermiston has also seen major growth in regional hospitality related businesses. Holiday Inn Express & Suites built a new \$6 million, 93-room hotel in downtown Hermiston, which opened in December, 2016. The Oak Tree Inn also completed a 20-room expansion in 2016, and just outside of Hermiston, the Comfort Inn & Suites completed a 20-room expansion in 2015.

In addition to serving as a regional medical and retail center, Hermiston has aggressively built a diverse economy with food processing, logistics/distribution and other agriculture related business as its foundation. The Hermiston area includes a 1.2 million square foot Wal-Mart Distribution Center, a \$3.5 million food distribution center of the Church of Jesus Christ of Latter-day Saints and the North American Research and Development Center for Corteva Agriscience. Corteva's raw commodities' needs effectively diversify the region's agricultural portfolio and raise the value of grower contracts in the area, while also creating additional opportunities for agricultural support services business. Recent expansions in the region by Lamb Weston, a potato processor, have added a large number of jobs and total over \$500 million in investment. A large feed mill operates just south of the City; there are also several large dairy facilities in the area. An auto/RV parts warehouse is near completion that will continue to strengthen the area's commitment to logistics/distribution. Local companies also continue to invest in the area as evidenced by A-1 Industrial Hose and Supply's recent construction of an addition 30,000 square feet of warehouse space. Finally, data centers are being constructed throughout the region. This effort further diversifies the regional economy.

Hermiston's location at the intersection of two Interstate freeways makes the community ideally suited for companies moving products to the western states region. Wal-Mart's Hermiston Distribution Center, which serves all Northwest Wal-Mart Retail stores is joined by FedEx and UPS taking advantage of Hermiston's location. FedEx Freight has a full-service distribution center near Hermiston and UPS runs air-cargo out of the Hermiston Municipal Airport. The airport has been steadily investing in its runway, apron and other related infrastructure over the past 5 to 7 years.

Situated in an arid section of Oregon, Hermiston's existence has always necessarily been connected to water. The two original town sites that were to become Hermiston sprang up following the creation of the Hermiston Irrigation District in 1905. Circle irrigation developed and agriculture flourished throughout the desert area, increasing irrigated land to over 200,000 acres. Abundant access to field and row crops such as potatoes, melons, beans, onions, etc., resulted in the construction of food processing plants, and their employment needs increased Hermiston's population from 4,893 in 1970 to 19,354 in 2020.

Due to the major importance of irrigated agriculture to the regional economy, the City of Hermiston is a member of, and contributes to, the efforts of the Northeast Oregon Water Association. This work resulted in a funding package of nearly \$50 million through a combination of grants and loans from the State of Oregon to increase the amount of irrigation water in the region as well as improve the long-term viability of regional water resources. The projects funded by this investment continue to move into implementation and they have a substantial economic benefit to the Hermiston region.

With agricultural interests predominant in and around Hermiston, the City of Hermiston offers a central site for rodeos, home shows, livestock sales, community dances, auctions and other events, as well as the annual Umatilla County Fair. Due to the growing needs of the community, the Eastern Oregon Trade and Event Center (EOTEC) was completed in 2017 to house the award winning Farm-City Pro Rodeo and the Umatilla County Fair along with other regional and local events. EOTEC now hosts a wide variety of events throughout the year. This center and other development has created interest from multiple hotel development companies for additional properties to be developed in Hermiston.

The Hermiston School District has six elementary schools, two middle schools, one senior high school, and one alternative school. With nearly 5,500 students, it is the largest school district in Eastern Oregon, and with 631 employees, the fifth largest employer in Hermiston. Additionally, Blue Mountain Community College and Eastern Oregon University, with satellite campus facilities in Hermiston, offer advanced education opportunities.

In November 2019 voters authorized the School District to sell \$82.7 million in capital construction bonds. The proceeds will support construction projects to: replace the District's oldest elementary school, construct an additional elementary school, increase capacity at the high school and to purchase property for anticipated student capacity growth. The two elementary school projects were completed in Fall 2022 and the high school project is currently underway.

The School District has invested a significant amount of money in sports facilities along with their other projects. This includes multi-million dollar replacement of the high school football stadium and additional gymnasium development in multiple locations. These facilities have generated a positive economic impact to Hermiston because of their ability to attract events like state-level football, soccer, lacrosse, and track & field events as well as AAU basketball tournaments.

Although 250 miles from the ocean, Hermiston is only 643 feet above sea level and receives less than nine inches of rain annually. The area offers a spectrum of outdoor pastimes, including water sports such as skiing, boating, swimming and fishing in the surrounding ponds, streams and rivers. Day trips or longer for snow sports, camping, hiking and hunting are taken to nearby mountain ranges and rock hounding abounds in the geological areas two hours south of town. Hermiston offers athletic clubs; an outdoor swimming pool; jogging trails; bicycle lanes; sites for tennis, soccer, and all kinds of sports leagues; and golf courses in neighboring towns. Environmental areas include twelve city parks encompassing 114 acres, Umatilla Wildlife Refuge, Hat Rock State Park and Cold Springs Reservoir.

Culturally, Hermiston is the scene for varied performances at the junior and senior high auditoriums, including events sponsored by the Inland Northwest Musicians. There are eight movie screens, a bowling alley and a roller rink. Hermiston boasts more than 150 organizations, including service clubs such as Rotary, Kiwanis and Altrusa. Hermiston also has a recently renovated modern public library.

Hermiston is served by a regional 911 emergency system, a well-trained police force, county deputy sheriffs and the Oregon State Police. The City has its own municipal court as well as a circuit court facility. Medical care is based in a modern hospital, supported by medical clinics housing a variety of specialists. Ambulance service is provided by the fire district. There are optometric, dental, chiropractic and mental health services available.

Major employers outside the food processing and logistics industries include JM-Eagle, Marlette Homes, Union Pacific Railroad, Portland General Electric and the State of Oregon. JM Eagle operates a polyvinylchloride pipe plant in the Port of Umatilla Industrial Park five miles north of Hermiston. This plant employs approximately 50 people. Marlette Homes builds affordable manufactured homes. Two State prisons in the region are also significant employers in the regional economy.

Four shopping centers are located in the City. The City's retail trade area includes 50,000 people in a two-county area. State of Washington residents also shop here due to the lack of sales tax in the State of Oregon. Among the major retailers in the City are a Wal-Mart superstore, Home Depot, Big 5 Sports, several supermarkets and a variety of other businesses. The steady economic and employment growth the Hermiston region has experienced in recent years is expected to remain strong in the near-term foreseeable future.

Four shopping centers are located in the City. The City’s retail trade area includes 50,000 people in a two-county area. State of Washington residents also shop here due to the lack of sales tax in the State of Oregon. Among the major retailers in the City are a Wal-Mart superstore, Home Depot, Big 5 Sports, several supermarkets and a variety of other businesses. The steady economic and employment growth the Hermiston region has experienced in recent years is expected to remain strong in the near-term foreseeable future.

MAJOR INITIATIVES AND LONG-TERM FINANCIAL PLANNING

The City has the following ongoing commitments and construction contracts:

1. Airport Improvements – The City has been utilizing several state and federal grants totaling over \$5 million for taxiway realignment and other improvements at the Hermiston Municipal Airport. The City also recently updated its Airport Master Plan in order to continue to qualify for more of these grant opportunities.
2. NE Water Tank – The City constructed a \$4.1 million water storage tank at East Punkin Center and Northeast 10th Street. The project will provide water for 300 acres of residential development and for the School District's new elementary school.
3. East Theater Lane Construction – In coordination with the NE Water Tank project, the City performed \$475,000 of improvements to East Theatre Lane, replacing gravel with asphalt between N.E. 8th and N.E. 10th streets and adding sewer, water, and other infrastructure.
4. Geer and Harper Intersection Realignment – The City has spent ~\$234,000 of an expected \$1.5 million to reconstruct a three-way intersection that also includes a railway crossing. The intersection needs to be reconstructed to improve traffic and pedestrian access, and ensure connectivity to property east of N. 1st Place. The current configuration makes access difficult for large trucks, and traffic backs up on Harper Road during busy times of day.
5. West Hermiston Avenue Overlay – The City completed significant street and sidewalk improvements in 2019. The \$610,000 project resurfaced West Hermiston Avenue from N. 1st Place to N.W. 11th Street, replaced sidewalks, water and sewer infrastructure, and protected the roadway subgrade from further damage from water infiltration and increased traffic.
6. Lift Station Improvements – The City has spent ~\$640,000 to consolidate two lift stations and update the remaining station to improve operations. The City expects to spend \$1.7 million to \$2.4 million per year in water and sewer system improvements each year through 2024.
7. City Hall Replacement - City Hall was damaged in a December 2019 fire. After securing funding without a property tax increase, the construction project was completed in Fall 2022. An adjacent parking lot was also renovated along with new water/sewer infrastructure in the alleyway.
8. Riverview Park - Riverview park has been damaged by flooding for two consecutive years. In cooperation with the Federal Emergency Management Agency, a parking lot and playground are being relocated to a less vulnerable location within the park.
9. South Hermiston Industrial Park - The City completed infrastructure improvements of \$2,094,000 to extend roadway, water and sewer lines, and upgrade the electrical power system to the South Hermiston Industrial Park. The industrial park improvements allow for current and future light industrial operations to provide support services to the Hermiston area.

The City is continuing its efforts to improve and develop its streets, parks and recreation facilities. The City complies with all State of Oregon planning requirements, including comprehensive plan development and periodic review.

FINANCIAL POLICIES

The City maximizes its yield on short-term/low risk investments by pooling the cash of all funds. The City's savings and reserves are invested primarily in U.S. Treasury securities and the Oregon State Local Government Investment Pool. The City is authorized to invest up to 35% of its holdings in corporate bonds and up to 10% of its holdings in municipal bonds.

The City has initiated a limited risk management program for workers' compensation and general liability. The City is self-insured for unemployment compensation costs. Third-party coverage is currently maintained for workers' compensation and general liability.

The City elects to pay what would otherwise be the employee's 6% contribution to the Oregon Public Employees Retirement System.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to City of Hermiston for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This was the Thirty-second consecutive year that the City of Hermiston has received this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the dedicated and efficient efforts of the staff of the Finance Department. We would like to thank the members of the department who contributed and assisted in the report's preparation. Our sincere appreciation goes to the Mayor and the City Council members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Sincerely,



Byron-D. Smith
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hermiston
Oregon**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

CITY OF HERMISTON, OREGON

List of Principal Officials

June 30, 2022

ELECTED OFFICIALS

	<u>Term Expires</u>
Mayor:	
Dr. David Drotzmann	December 31, 2024
Council Members:	
Lori Davis	December 31, 2022
Roy Barron	December 31, 2026
Jackie C. Myers	December 31, 2026
Phillip Spicerkuhn	December 31, 2022
Maria Duron	December 31, 2024
Rod S. Hardin	December 31, 2024
Nancy Peterson	December 31, 2024
Doug Primmer	December 31, 2024
Municipal Judge:	
Thomas J. Creasing	December 31, 2022

APPOINTED OFFICIALS

City Manager	Byron Smith
Assistant City Manager	Mark Morgan
Finance Director	Mark Krawczyk
City Recorder	Lily Alarcon-Strong
Police Chief	Jason Edmiston
Water Superintendent	Roy Bicknell
Wastewater Superintendent	Bill Schmittle
Library Director	Mark Rose
City Attorney	Richard Tovey
Street Superintendent	Ron Sivey
HES Superintendent	Nate Rivera
Building Official	Chuck Woolsey
Parks & Recreation Director	Brandon Artz
City Planner	Clint Spencer
Court Manager	Jillian Viles

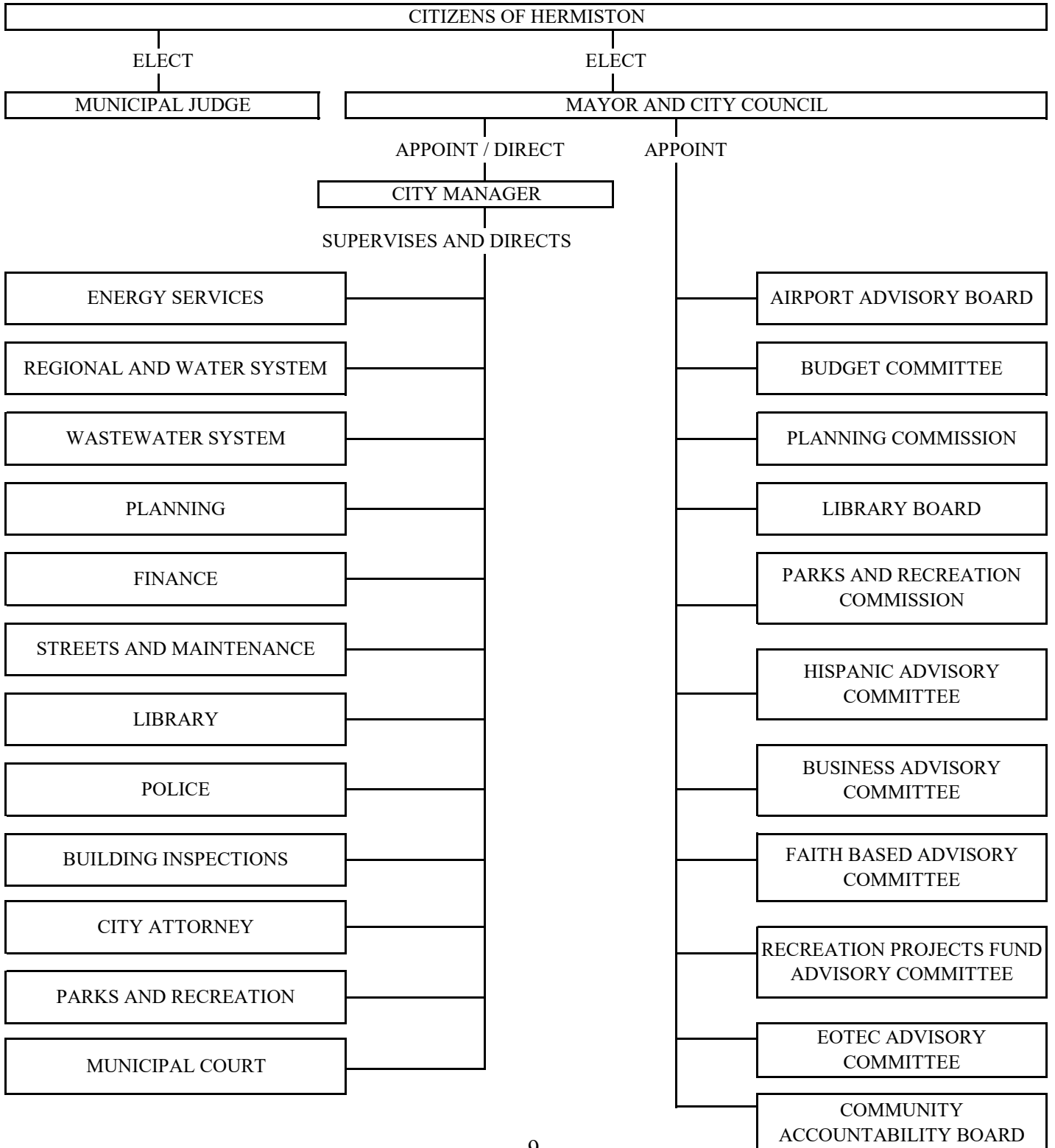
OFFICIAL ADDRESS

180 NE 2nd Street
Hermiston, OR 97838
Telephone: 541-567-5521

CITY OF HERMISTON, OREGON

Organizational Chart

June 30, 2022



FINANCIAL SECTION

Barnett & Moro, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

Mayor and City Council
City of Hermiston, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermiston, Oregon, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermiston, Oregon, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hermiston, Oregon, and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hermiston, Oregon's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, amount other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information for the General Fund and State Street Tax Fund, pension and OPEB disclosures, and the Notes to Required Supplemental Information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison information for the General Fund and State Street Tax Fund, as listed in the table of contents under required supplementary information, are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hermiston, Oregon’s basic financial statements. The supplemental information section and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Reports on Other Legal and Regulatory Requirements


Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2023, on our consideration of City of Hermiston, Oregon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hermiston, Oregon's internal control over financial reporting and compliance.

Other Reporting Required by Oregon Minimum Standards

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated January 20, 2023, on our consideration of the City of Hermiston, Oregon's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing and not to provide an opinion on compliance.

Barnett & Moro, P.C.

By: 

Richard L. Stoddard, Shareholder
January 20, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

As management of the City of Hermiston (the City), we offer readers of the City's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended June 30, 2022. The analysis focuses on the City's overall financial position, results of operations, and other important economic factors. It discusses events of the current fiscal year while providing comparisons to results of the prior year. We encourage readers to consider the information presented here in conjunction with the information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources totaled approximately \$152.2 million at June 30, 2022 consisting of approximately \$21.2 million in cash and investments, \$118.8 million in capital assets and \$12.2 million in other assets and deferred outflows of resources. Total assets and deferred outflows of resources increased by \$5.9 million from the previous fiscal year due to construction in progress additions and grants and other receivable increases.
- The City's liabilities and deferred inflows of resources totaled \$77.9 million at June 30, 2022, consisting of \$61.8 million in non-current liabilities, \$9.3 million in current liabilities, and \$6.8 million in deferred inflows of resources. Total liabilities and deferred inflows of resources decreased by \$1.9 million from the previous fiscal year due to City repayment of long-term debt and a decrease in the City's net pension liability.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of fiscal year 2022 by \$74.3 million (net position). Of this amount \$5.3 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors. The remainder of the City's net position includes \$64 million net investment in capital assets, and \$5.0 million restricted for specific purposes. The City used restricted funds to acquire and improve infrastructure assets.
- For its governmental activities the City generated \$2.8 million in Charges for Services and \$8.0 million in Operating and Capital Grants and Contributions. Direct expenses, including interest on long-term debt for governmental activities, were \$18.3 million for the year resulting in a net expense of \$7.5 million. After an additional \$10.5 million in general revenues and \$1.0 million in transfers in, governmental activities resulted in a \$4.0 million increase in net position.
- For its business-type activities the City generated \$21.7 million in Charges for Services to fund direct expenses of \$16.7 million resulting in a net revenue of \$5.0 million. After investment losses of \$42,900 and transfers out of \$1.0 million, net position from business-type activities increased by \$4.0 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are divided into three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to the financial statements. Together, they provide a comprehensive overview of the City's financial position. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Government-wide financial statements. The government-wide financial statements present information about the financial activities of the City as a whole, in a manner similar to a private sector business.

The Statement of Net Position presents financial information on all of the City's assets, liabilities, and deferred inflows and outflows of resources. When assets and deferred outflows of resources are reduced by liabilities and deferred inflows of resources, the difference is net position. Over time, increases or decreases in net position may be useful in determining improvement or deterioration in the financial position of the City.

The Statement of Activities reports how the City's net position changed during the year. Net position is increased by revenues, decreased by expenses, and affected by changes in deferred inflows/outflows of resources. The Statement of Activities presents expenses by function and compares them with their related revenues such as grants, contributions, and charges for service. General revenues such as taxes and investment interest available to support all City functions are reported separately from program specific revenues.

Fund financial statements. The fund financial statements focus on individual major governmental and proprietary funds.

Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. Governmental fund statements present near-term inflows and outflows of available resources. The City maintains several governmental funds. Each major fund is presented individually with the remaining governmental funds combined into a single aggregate column. Individual fund information for the non-major governmental funds is presented elsewhere in the report. A reconciliation of the total fund balances and the changes in fund balances of the governmental funds to the total net position and the changes in net position in the government-wide financial statements is provided.

Proprietary funds report the same functions presented as business-type funds in the government-wide financial statements. The City uses three proprietary funds to account for its electricity, water and sewer, and regional water operations.

Notes to the Financial Statements. The notes provide additional information necessary to gain a full understanding of the financial statements.

Required Supplementary Information. This section includes the Schedule of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual) for the General Fund and State Street Tax Fund. This section also includes the Schedule of the Proportionate Share, Schedule of Contributions, and Schedule of Changes in the City's OPEB Liability as they relate to the City's net pension liability and net OPEB liability.

Other Supplementary Information. Readers desiring additional information on major funds that are not a part of Required Supplementary Information and non-major funds can find it in the Combining Schedules of Non-Major Funds and the budgetary comparison sections of this report. Components within this section include:

- Combining schedules. Major funds are included within the Basic Financial Statements, whereas non-major funds are presented here. These statements include combining balance sheets and combining schedule of revenues, expenditures and changes in fund balance.

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

- Budgetary Comparisons. Includes budgetary information for major governmental funds budgetary comparison schedules not included in the Required Supplemental Information and for all non-major funds and business type activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position may serve over time as a useful indicator of a government's financial position. The following table reflects a Summary of Net Position compared to prior fiscal year.

	Net Position at Year-End					
	(in thousands)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Assets:						
Cash and investments	\$ 12,308	\$ 19,857	\$ 8,896	\$ 7,501	\$ 21,204	\$ 27,358
Other assets	4,409	1,761	2,337	2,285	6,746	4,046
Capital assets	49,885	40,631	68,903	68,403	118,788	109,034
Total assets	<u>66,602</u>	<u>62,249</u>	<u>80,136</u>	<u>78,189</u>	<u>146,738</u>	<u>140,438</u>
Deferred outflows:	<u>4,348</u>	<u>4,614</u>	<u>1,149</u>	<u>1,235</u>	<u>5,497</u>	<u>5,849</u>
Liabilities:						
Current liabilities	5,285	3,937	4,059	4,066	9,344	8,003
Noncurrent liabilities	26,936	33,343	34,900	38,188	61,836	71,531
Total liabilities	<u>32,221</u>	<u>37,280</u>	<u>38,959</u>	<u>42,254</u>	<u>71,180</u>	<u>79,534</u>
Deferred inflows:	<u>5,484</u>	<u>272</u>	<u>1,268</u>	<u>62</u>	<u>6,752</u>	<u>334</u>
Net Position:						
Net investment in capital assets	35,021	26,962	33,935	31,359	63,964	58,321
Restricted	5,056	4,486	-	-	5,056	4,486
Unrestricted	<u>(6,832)</u>	<u>(2,137)</u>	<u>7,122</u>	<u>5,749</u>	<u>5,283</u>	<u>3,612</u>
Total Net Position	<u>\$ 33,245</u>	<u>\$ 29,311</u>	<u>\$ 41,057</u>	<u>\$ 37,108</u>	<u>\$ 74,303</u>	<u>\$ 66,419</u>

86.1% of the City's net position reflects its net investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The classification of borrowing as capital-related is made separately for each column reported on the government-wide statement of net position. Consequently, \$725,000 in bonds payable, \$29,736 in premiums and \$4,238,049 in notes payable reported in the total column is not reported in the governmental or business-type activities as the governmental activities hold the debt and the business-type activities hold the assets.

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Analysis of Changes in Net Position:

The following table summarizes revenues and expenses for the current fiscal year and provides a comparison to prior year.

	Governmental and Proprietary Activities Year Ending June 30, (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues						
Charges for service	\$ 2,861	\$ 3,651	\$ 21,678	\$ 20,794	\$ 24,539	\$ 24,445
Operating grants and contributions	1,482	1,995	-	-	1,482	1,995
Capital grants and contributions	6,428	1,611	-	-	6,428	1,611
General Revenues						
Taxes	10,070	9,553	-	-	10,070	9,553
Investment earnings (losses)	(135)	45	(43)	20	(178)	65
Other	576	182	-	-	576	182
Total Revenues	21,282	17,037	21,635	20,814	42,917	37,851
Expenses						
General government	4,581	5,835	-	-	4,581	5,835
Public safety	6,166	7,156	-	-	6,166	7,156
Highways and streets	1,839	1,948	-	-	1,839	1,948
Cultural and recreation	5,117	4,935	-	-	5,117	4,935
Economic development	83	102	-	-	83	102
Interest on long-term debt	497	272	-	-	497	272
Water	-	-	3,943	3,952	3,943	3,952
Sewer	-	-	4,098	3,599	4,098	3,599
Electricity	-	-	8,634	8,537	8,634	8,537
Total Expenses	18,283	20,248	16,675	16,088	34,958	36,336
Change in net position before:	2,999	(3,211)	4,960	4,726	7,959	1,515
Extraordinary item	-	189	-	-	-	189
Transfers	969	1,541	(969)	(1,541)	-	-
Change in net position	3,968	(1,481)	3,991	3,185	7,959	1,704
Net position - beginning	29,311	30,822	37,108	34,056	66,419	64,878
Prior period adjustment	(33)	(30)	(41)	(133)	(74)	(163)
Beginning net position, restated	29,278	30,792	37,067	33,923	66,345	64,715
Ending net position	\$ 33,246	\$ 29,311	\$ 41,058	\$ 37,108	\$ 74,304	\$ 66,419

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Governmental Activities. The City's revenues increased \$3.5 million, mostly as a result various federal grants, payments received in-lieu of taxes as part of Enterprise Zone agreements and increases in property taxes. \$929,000 of the increase is a result of interfund reimbursements being recorded as revenues and expenditures in the previous year. The taxable value of property within the City increased by 4.6% from the prior year.

Expenses to perform governmental activities decreased by \$1.9 million. Expenses to participate in the Oregon Public Employees Retirement System and to provide other post-employment benefits decreased by \$398,000. \$929,000 of the decrease is due to interfund reimbursements being recorded as revenues and expenditures in the previous year.

Business-type activities. The City increased water and sewer rates in March 2019. Water and sewer rates adjust annually for inflation. Hermiston Energy Services increased electric rates by 6.9% in October 2021. Costs to provide utility services increased 3.6% from the prior year.

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2022, the City's governmental funds reported a combined ending fund balance of \$11.0 million compared to prior year's balance of \$18.5 million. The City had a decrease in fund balance of \$7.5 million due to an increase in significant capital improvements. Unassigned fund balance as of June 30, 2022, was \$246,000 and is available for spending at the City's discretion.

General Fund

The general fund is the chief operating fund of the City. At June 30, 2022, the total fund balance was \$2,253,000 of which \$2,251,000 is considered unassigned, reflecting an increase in unassigned fund balance of approximately \$1.4 million from the prior year. Expenditures in the general fund increased \$199,000 from the prior year. Overall city payroll increased \$634,000, an increase of 8.6%. General fund revenues increased \$1.0 million from the prior year. General fund property tax revenues increased \$391,000 and intergovernmental revenues increased \$1.1 million, mainly due to American Rescue Plan Act grant funds of nearly \$2.0 million being received during the fiscal year.

Other major governmental funds include the State Street Tax Fund, Reserve Fund, and City Hall Construction Fund. The fund balance in the State Street Tax Fund increased by \$272,000. There was an increase in State fuel tax receipts of \$70,000 over the prior year. The Reserve Fund balance increased \$750,000. Transfers from other funds decreased by \$464,000. Expenditures increased by \$831,000 because of an increase in infrastructure related expenditures. The City Hall Construction Fund had a decrease of \$7.2 million in cash for the year. A significant amount spent in the fund were bond proceeds received in the previous year for construction on the replacement of city hall.

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

General Fund Budgetary Highlights

The City adopted one supplemental budget, which affected the General Fund, Transient Room Tax Fund, Utility Fund, Energy Services Fund, Regional Water Fund, Reserve Fund, and the Local Improvement District Fund. Total appropriations were increased by \$3.1 million, \$1.8 million of the increased appropriates were required to pay for construction related expenditures in the Local Improvement District Fund for infrastructure improvements. The remaining increase were required to cover increases in materials and services, capital outlay and personnel expenditures in various funds.

General Fund revenues exceeded original budgeted expectations by \$1.3 million, which was mainly due to property taxes and intergovernmental activity. Actual expenditures of the General Fund were \$1.3 million less than originally budgeted.

Capital Assets

The City had \$109.0 million in capital assets net of depreciation at June 30, 2022 allocated as follows:

Net Capital Assets
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Land and easements	\$ 3,558	\$ 3,558	\$ 1,080	\$ 1,080	\$ 4,638	\$ 4,638
Construction in progress	11,779	4,352	1,077	262	12,856	4,614
Buildings and systems	28,130	25,552	66,478	66,473	94,608	92,025
Machinery, equipment	1,085	1,345	268	588	1,353	1,933
Street system	5,333	5,824	-	-	5,333	5,824
Total capital assets	<u>\$ 49,885</u>	<u>\$ 40,631</u>	<u>\$ 68,903</u>	<u>\$ 68,403</u>	<u>\$ 118,788</u>	<u>\$ 109,034</u>

Additional information on capital assets can be found in Note 4 to the financial statements.

Debt Administration

At year end, the City had \$55.6 million in long term debt outstanding compared to \$58.8 million last year. The City repaid approximately \$3.2 million of long term debt during the year.

Additional information on debt administration can be found in Note 6 to the financial statements.

CITY OF HERMISTON, OREGON
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2022

Economic Factors and Next Year's Budgets and Rates

The general fund's largest revenue sources are property taxes, charges for services, fines and forfeitures, franchise fees and state shared revenues. The State of Oregon does not have a sales tax resulting in local government's heavy reliance on property taxes and other locally generated revenues such as franchise fees, and fees for services. During the 1990's voters in the State of Oregon passed two ballot measures that reformed the property tax structure. The measures limited the amount of tax levies to \$5 per \$1,000 of real market value for education districts and \$10 per \$1,000 for general government districts such as cities and counties. Permanent tax rates were also established for certain local governments and limited the annual growth rate of taxable property to 3% of assessed value. The City's permanent tax rate is \$6.086 per \$1,000 of assessed value.

The City's overall budget for 2022-23 is \$65.2 million, which is a decrease of \$6.9 million from the prior year's amended budget. The budget includes a 2.0% cost of living adjustment for all City employees. The 2021-22 budget included a 2.5% cost of living adjustment for all City employees. The City includes amounts for the expected ending fund balance in each fund. Some of this is reflected in the Unappropriated Balance line item and some is reflected in the Reserve for Future Expenditure line item. The Unappropriated Balance allows the City a cash or working capital balance with which to begin the fiscal year following the current year. The City budgeted an unappropriated balance of \$1.1 million compared to \$1.1 million in the prior year. Reserves for Future Expenditure are intended to be saved for use in future fiscal years. This allows the City to accumulate funds for capital purchases or projects which need to be built up over multiple years. The adopted 2022-23 budget also includes a separate allocation for contingency of \$7.8 million.

Requests for Information

This financial report is designed to provide a general overview of the City of Hermiston, Oregon's finances. Questions concerning any of the information provided in this report, requests for additional information, or to obtain a copy of this report for the Hermiston Urban Renewal Agency should be addressed to: Finance Department, City of Hermiston, 180 NE 2nd Street, Hermiston, OR 97838.

BASIC FINANCIAL STATEMENTS

CITY OF HERMISTON, OREGON
STATEMENT OF NET POSITION
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS:</u>			
Current assets:			
Cash and cash equivalents	\$ 8,369,151	\$ 7,396,583	\$ 15,765,734
Investments	3,855,223	1,251,028	5,106,251
Cash and cash equivalents, restricted for customer deposits	83,738	248,345	332,083
Property taxes receivable	242,885	-	242,885
Accounts and other receivables, net	3,250,274	2,092,646	5,342,920
Prepaid items	205,368	54,515	259,883
Inventories	23,922	-	23,922
Total current assets	<u>16,030,561</u>	<u>11,043,117</u>	<u>27,073,678</u>
Noncurrent assets:			
Other post employment benefits asset	192,710	44,568	237,278
Lease assets, net	493,602	145,569	639,171
Capital assets:			
Nondepreciable	15,337,298	2,156,475	17,493,773
Depreciable, net	34,548,098	66,746,190	101,294,288
Total noncurrent assets	<u>50,571,708</u>	<u>69,092,802</u>	<u>119,664,510</u>
Total assets	<u>66,602,269</u>	<u>80,135,919</u>	<u>146,738,188</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Deferred outflows related to pension	4,238,301	980,208	5,218,509
Deferred outflows related to OPEB	109,889	25,414	135,303
Deferred amounts on refunding	-	143,036	143,036
Total deferred outflows of resources	<u>4,348,190</u>	<u>1,148,658</u>	<u>5,496,848</u>
Total assets and deferred outflows of resources	<u>\$ 70,950,459</u>	<u>\$ 81,284,577</u>	<u>\$ 152,235,036</u>
<u>LIABILITIES:</u>			
Current liabilities:			
Accounts payable	\$ 2,916,405	\$ 1,194,683	\$ 4,111,088
Retainage payable	424,052	6,893	430,945
Accrued interest payable	148,985	134,557	283,542
Customer Deposits	83,738	248,345	332,083
Unearned revenue	-	220,610	220,610
Current portion of long-term liabilities	1,810,114	2,254,053	4,064,167
Total current liabilities	<u>5,383,294</u>	<u>4,059,141</u>	<u>9,442,435</u>
Noncurrent liabilities:			
Other post employment benefits liability	640,284	148,080	788,364
Net pension liability	7,101,360	1,642,358	8,743,718
Noncurrent portion of long-term liabilities	19,096,243	33,108,987	52,205,230
Total noncurrent liabilities	<u>26,837,887</u>	<u>34,899,425</u>	<u>61,737,312</u>
Total liabilities	<u>32,221,181</u>	<u>38,958,566</u>	<u>71,179,747</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Deferred inflows related to pension	5,357,445	1,239,036	6,596,481
Deferred inflows related to OPEB	126,258	29,200	155,458
Total deferred inflows of resources	<u>5,483,703</u>	<u>1,268,236</u>	<u>6,751,939</u>
<u>NET POSITION:</u>			
Net investment in capital assets	35,021,440	33,935,276	63,963,931
Restricted for:			
Debt service	101,176	-	101,176
Culture and recreation	411,451	-	411,451
Highway and streets	1,971,450	-	1,971,450
Public safety	46,059	-	46,059
Economic development	737,932	-	737,932
Utility systems	1,244,571	-	1,244,571
System development	543,362	-	543,362
Unrestricted	(6,831,866)	7,122,499	5,283,418
Total net position	<u>33,245,575</u>	<u>41,057,775</u>	<u>74,303,350</u>
Total liabilities, deferred inflows, and net position	<u>\$ 70,950,459</u>	<u>\$ 81,284,577</u>	<u>\$ 152,235,036</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HERMISTON, OREGON
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Governmental activities:							
General government	\$ 4,581,091	\$ 1,527,502	\$ 1,178,246	\$ 4,590,653	\$ 2,715,310	\$ -	\$ 2,715,310
Public safety	6,166,511	394,464	16,819	-	(5,755,228)	-	(5,755,228)
Highways and streets	1,838,832	-	-	1,824,178	(14,654)	-	(14,654)
Culture and recreation	5,116,819	939,333	286,745	13,279	(3,877,462)	-	(3,877,462)
Economic development	83,168	-	-	-	(83,168)	-	(83,168)
Interest on long-term obligations	497,181	-	-	-	(497,181)	-	(497,181)
Total governmental activities	18,283,602	2,861,299	1,481,810	6,428,110	(7,512,383)	-	(7,512,383)
Business-type activities:							
Water	3,942,951	6,165,153	-	-	-	2,222,202	2,222,202
Sewer	4,097,476	5,080,021	-	-	-	982,545	982,545
Electricity	8,634,460	10,432,454	-	-	-	1,797,994	1,797,994
Total business-type activities	16,674,887	21,677,628	-	-	-	5,002,741	5,002,741
Total primary government	\$34,958,489	\$ 24,538,927	\$ 1,481,810	\$ 6,428,110	(7,512,383)	5,002,741	(2,509,642)
General revenues:							
Property taxes levied for:							
General purposes					6,918,234	-	6,918,234
Debt service					309,869	-	309,869
Payments in lieu of taxes					950,000	-	950,000
Franchise and transient room taxes					1,892,282	-	1,892,282
Investment earnings (losses)					(135,259)	(42,856)	(178,115)
Miscellaneous					536,207	-	536,207
Transfers					968,849	(968,849)	-
Gain on sale of capital assets					40,200	-	40,200
Total general revenues, transfers and gain on sale of capital assets					11,480,382	(1,011,705)	10,468,677
Change in net position					3,967,999	3,991,036	7,959,035
Net Position, beginning, as restated (see note 19)					29,277,576	37,066,739	66,344,315
Net Position, ending					\$ 33,245,575	\$ 41,057,775	\$ 74,303,350

The notes to the basic financial statements are an integral part of this statement.

CITY OF HERMISTON, OREGON

FUND FINANCIAL STATEMENTS

June 30, 2022

Major Governmental Funds

Combined General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, and state and county shared revenues. Expenditures are primarily for general government operations, culture and recreation, and public safety.

State Street Tax Fund

The State Street Tax Fund accounts for revenues received from state gasoline taxes apportioned from the State of Oregon, as required by state law to ensure funds are used for street and roadway repair, maintenance, and improvement.

Reserve Fund

The Reserve Fund accounts for the money accumulated for long-term goals and projects of the City. Activities are financed directly by appropriations from the operating funds and with limited revenues directly from small reimbursement projects.

City Hall Construction Fund

The City Hall Construction Fund accounts for bond proceeds to be used to renovate the library basement and to build a new city hall.

CITY OF HERMISTON, OREGON

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	<u>Combined General Fund</u>	<u>State Street Tax Fund</u>	<u>Reserve Fund</u>	<u>City Hall Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<u>ASSETS:</u>						
Cash and cash equivalents	\$ 1,118,777	\$ 288,372	\$ 4,452,551	\$ 339,126	\$ 2,254,063	\$ 8,452,889
Investments	1,539,066	-	2,316,157	-	-	3,855,223
Receivables (net of allowances for uncollectible):						
Property taxes	224,079	-	-	-	18,806	242,885
Intergovernmental and other	324,014	135,530	1,387,569	-	1,403,161	3,250,274
Advances to other funds	1,819	-	1,921,405	318,337	-	2,241,561
Total assets	<u>\$ 3,207,755</u>	<u>\$ 423,902</u>	<u>\$ 10,077,682</u>	<u>\$ 657,463</u>	<u>\$ 3,676,030</u>	<u>\$ 18,042,832</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES:</u>						
Accounts payable and accrued liabilities	\$ 769,042	\$ 59,652	\$ 1,404,272	\$ 411,407	\$ 272,032	\$ 2,916,405
Retainage payable	-	-	3,740	403,312	17,000	424,052
Deposits	12,063	-	-	-	71,675	83,738
Advances from other funds	-	-	-	-	2,241,561	2,241,561
Total liabilities	<u>781,105</u>	<u>59,652</u>	<u>1,408,012</u>	<u>814,719</u>	<u>2,602,268</u>	<u>5,665,756</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>						
Unavailable revenue	173,671	-	123,500	-	1,078,940	1,376,111
Total deferred inflows of resources	<u>173,671</u>	<u>-</u>	<u>123,500</u>	<u>-</u>	<u>1,078,940</u>	<u>1,376,111</u>
<u>FUND BALANCES (DEFICIT):</u>						
Nonspendable	1,819	-	-	-	-	1,819
Restricted	-	364,250	2,920,654	-	1,771,097	5,056,001
Committed	-	-	5,625,516	-	71,063	5,696,579
Unassigned	2,251,160	-	-	(157,256)	(1,847,338)	246,566
Total fund balances (deficit)	<u>2,252,979</u>	<u>364,250</u>	<u>8,546,170</u>	<u>(157,256)</u>	<u>(5,178)</u>	<u>11,000,965</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,207,755</u>	<u>\$ 423,902</u>	<u>\$ 10,077,682</u>	<u>\$ 657,463</u>	<u>\$ 3,676,030</u>	<u>\$ 18,042,832</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HERMISTON, OREGON
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2022

Fund balances - total governmental funds	\$ 11,000,965
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	49,885,396
Lease assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.	493,602
Net pension liability, and the related deferred outflows and inflows, are not current financial resources or requirements, and therefore, are not reported in the funds.	(8,220,504)
Net other post employment benefits (OPEB) liability/asset, and the related deferred outflows and inflows, are not current financial resources or requirements, and therefore, are not reported in the funds.	(463,943)
Other long-term assets are not available to pay for current period expenditures, and, therefore, are deferred in the fund statements.	1,376,111
Accrued compensated absences are not due and payable in the current period, and, therefore, are not reported in the funds.	(500,040)
Accrued interest payable is not due and payable in the current period, and, therefore, is not reported in the fund statements.	(148,985)
Long-term liabilities, including bonds and unamortized premiums, are not due and payable in the current period, and, therefore, are not reported in the fund statements.	(20,406,317)
Prepaid insurance uses current financial resources and, therefore, is not reported in the funds.	205,368
Inventory uses current financial resources and, therefore, is not reported in the funds.	23,922
Net position of governmental activities	\$ 33,245,575

The notes to the basic financial statements are an integral part of this statement.

CITY OF HERMISTON, OREGON

**STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2022

	Combined General Fund	State Street Tax Fund	Reserve Fund	City Hall Construction Fund	Other Governmental Funds	Totals
<u>REVENUES:</u>						
Property taxes	\$6,658,211	\$ -	\$ -	\$ -	\$ 561,912	\$ 7,220,123
Payments in lieu of taxes	-	-	-	-	950,000	950,000
Transient room taxes	-	-	-	-	1,128,274	1,128,274
Franchise fees	764,008	-	-	-	-	764,008
Licenses and fees	5,910	-	-	-	-	5,910
Charges for services	2,387,359	-	-	-	430,215	2,817,574
Intergovernmental	2,802,015	1,824,178	1,618,095	-	98,020	6,342,308
Fines and forfeitures	392,013	-	-	-	12,320	404,333
System development charges	-	-	215,363	-	-	215,363
Rental income	59,362	-	-	-	-	59,362
Contributions	-	-	43,029	-	42,346	85,375
Investment earnings (losses)	(50,798)	-	(84,528)	54	13	(135,259)
Miscellaneous	197,288	43,277	180,871	-	238,497	659,933
Total revenues	<u>13,215,368</u>	<u>1,867,455</u>	<u>1,972,830</u>	<u>54</u>	<u>3,461,597</u>	<u>20,517,304</u>
<u>EXPENDITURES:</u>						
Current:						
General government	3,407,184	-	561,402	3,085	165,909	4,137,580
Public safety	6,176,060	-	-	-	57,073	6,233,133
Culture and recreation	3,270,281	-	-	-	851,610	4,121,891
Economic development	-	-	-	-	83,168	83,168
Highways and streets	-	1,258,209	-	-	-	1,258,209
Capital outlay	10,083	-	2,104,263	7,462,494	1,944,176	11,521,016
Debt service	469,503	36,649	25,000	-	1,156,451	1,687,603
Total expenditures	<u>13,333,111</u>	<u>1,294,858</u>	<u>2,690,665</u>	<u>7,465,579</u>	<u>4,258,387</u>	<u>29,042,600</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>						
<u>OVER (UNDER) EXPENDITURES</u>	<u>(117,743)</u>	<u>572,597</u>	<u>(717,835)</u>	<u>(7,465,525)</u>	<u>(796,790)</u>	<u>(8,525,296)</u>
<u>OTHER FINANCING SOURCES (USES):</u>						
Loan proceeds	-	-	-	-	60,266	60,266
Transfers in	2,308,572	39,453	3,590,139	-	388,480	6,326,644
Transfers out	(908,459)	(339,500)	(2,122,712)	-	(1,987,124)	(5,357,795)
	<u>1,400,113</u>	<u>(300,047)</u>	<u>1,467,427</u>	<u>-</u>	<u>(1,538,378)</u>	<u>1,029,115</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>1,282,370</u>	<u>272,550</u>	<u>749,592</u>	<u>(7,465,525)</u>	<u>(2,335,168)</u>	<u>(7,496,181)</u>
<u>FUND BALANCE, BEGINNING</u>	<u>970,609</u>	<u>91,700</u>	<u>7,796,578</u>	<u>7,308,269</u>	<u>2,329,990</u>	<u>18,497,146</u>
<u>FUND BALANCE (DEFICIT), ENDING</u>	<u>\$2,252,979</u>	<u>\$ 364,250</u>	<u>\$8,546,170</u>	<u>\$ (157,256)</u>	<u>\$ (5,178)</u>	<u>\$ 11,000,965</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HERMISTON, OREGON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2022

Net change in fund balance - governmental funds \$ (7,496,181)

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	765,448
Repayment of long-term obligations principal is an expenditure in the governmental funds, but the repayment reduces long-term obligations in the Statement of Net Position.	1,303,091
Issuance of debt is a financial resource in the governmental funds, but increases long-term liabilities in the Statement of Net Position.	(60,266)
Entering into right-to-use asset (lease) agreements increase long-term liabilities in the Statement of Net Position. Lease payments made are a use of financial resources in the governmental funds.	(167,381)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and are not reported as expenditures in governmental funds:	
Change in inventory	(8,454)
Change in prepaid insurance	17,370
Change in compensated absences	(23,312)
Change in accrued interest payable	9,445
Change in pension liability and related deferred outflows and inflows	350,803
Change in OPEB liability and related deferred outflows and inflows	288

Governmental funds do not report lease additions as expenditures. However, in the Statement of Activities, the value of the right-to-use lease asset is amortized over the life of lease and reported as amortization expense:

Lease asset additions	\$ 167,381	
Amortization expense	(144,513)	
		22,868

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of capital assets are allocated over the useful lives and reported as depreciation expense:

Capital asset additions	11,524,757	
Depreciation expense	(2,270,477)	
		9,254,280

Change in net position - governmental activities \$ 3,967,999

The notes to the basic financial statements are an integral part of this statement.

CITY OF HERMISTON, OREGON

FUND FINANCIAL STATEMENTS

June 30, 2022

Proprietary Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing the services to the general public on a continuing basis be financed primarily through user charges. Funds included are:

Electricity Operations

Hermiston Energy Services Fund

The Hermiston Energy Services Fund accounts for user fees for electrical use and other charges to the system. The proceeds are used to complete all services necessary to maintain and improve the electrical system of the City.

Utility Operations

Utility Fund

The Utility Fund accounts for user fees for water and recycled water use and connection charges to the system. The proceeds are used to complete all services necessary to maintain and improve the water and recycled water systems of the City.

Regional Water Operations

Regional Water Fund

The Regional Water Fund accounts for resources and expenditures related to producing, distributing, and billing for water consumed by the community and by industrial users.

CITY OF HERMISTON, OREGON

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

June 30, 2022

Business - Type Activities - Enterprise Funds

	Electricity Operations	Utility Operations	Regional Water Operations	Total
<u>ASSETS:</u>				
Current assets:				
Cash and cash equivalents	\$ 2,399,603	\$ 4,466,753	\$ 530,227	\$ 7,396,583
Investments	1,216,770	34,258	-	1,251,028
Restricted cash and cash equivalents	219,609	28,736	-	248,345
Receivables:				
Accounts, net	717,750	1,173,766	201,130	2,092,646
Prepaid items	3,179	47,387	3,949	54,515
Total current assets	<u>4,556,911</u>	<u>5,750,900</u>	<u>735,306</u>	<u>11,043,117</u>
Noncurrent assets:				
Other post employment benefits assets	3,587	37,303	3,678	44,568
Lease assets, net	-	145,569	-	145,569
Capital assets, net	15,381,181	46,013,759	7,507,725	68,902,665
Total noncurrent assets	<u>15,384,768</u>	<u>46,196,631</u>	<u>7,511,403</u>	<u>69,092,802</u>
Total assets	<u>19,941,679</u>	<u>51,947,531</u>	<u>8,246,709</u>	<u>80,135,919</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Deferred outflows related to pension	78,899	820,412	80,897	980,208
Deferred outflows related to OPEB	2,046	21,271	2,097	25,414
Deferred amounts on refunding	143,036	-	-	143,036
Total deferred outflows of resources	<u>223,981</u>	<u>841,683</u>	<u>82,994</u>	<u>1,148,658</u>
Total assets and deferred outflows of resources	<u>\$ 20,165,660</u>	<u>\$ 52,789,214</u>	<u>\$ 8,329,703</u>	<u>\$ 81,284,577</u>
<u>LIABILITIES:</u>				
Current liabilities:				
Accounts payable	\$ 791,723	\$ 349,119	\$ 53,841	\$ 1,194,683
Retainage payable	-	6,893	-	6,893
Accrued interest payable	35,096	99,461	-	134,557
Deposits	219,609	28,736	-	248,345
Unearned revenue	-	220,610	-	220,610
Current portion long-term liabilities	705,495	1,548,558	-	2,254,053
Total current liabilities	<u>1,751,923</u>	<u>2,253,377</u>	<u>53,841</u>	<u>4,059,141</u>
Noncurrent liabilities:				
Other post employment benefits liability	11,919	123,940	12,221	148,080
Net pension liability	132,197	1,374,616	135,545	1,642,358
Noncurrent portion of long-term liabilities	12,399,698	20,709,289	-	33,108,987
Total liabilities	<u>14,295,737</u>	<u>24,461,222</u>	<u>201,607</u>	<u>38,958,566</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>				
Deferred inflows related to pension	99,733	1,037,045	102,258	1,239,036
Deferred inflows related to OPEB	2,350	24,440	2,410	29,200
Total deferred inflows	<u>102,083</u>	<u>1,061,485</u>	<u>104,668</u>	<u>1,268,236</u>
<u>NET POSITION:</u>				
Net investment in capital assets	2,419,024	24,008,527	7,507,725	33,935,276
Unrestricted	3,348,816	3,257,980	515,703	7,122,499
Total net position	<u>5,767,840</u>	<u>27,266,507</u>	<u>8,023,428</u>	<u>41,057,775</u>
Total liabilities, deferred inflows, and net position	<u>\$ 20,165,660</u>	<u>\$ 52,789,214</u>	<u>\$ 8,329,703</u>	<u>\$ 81,284,577</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HERMISTON, OREGON
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2022

	Business - Type Activities - Enterprise Funds			Totals
	Electricity Operations	Utility Operations	Regional Water Operations	
<u>OPERATING REVENUES:</u>				
Charges for services - electricity	\$ 10,432,454	\$ -	\$ -	\$ 10,432,454
Charges for services - sewer	-	5,080,021	-	5,080,021
Charges for services - water	-	4,952,490	1,212,663	6,165,153
Total operating revenues	<u>10,432,454</u>	<u>10,032,511</u>	<u>1,212,663</u>	<u>21,677,628</u>
<u>OPERATING EXPENSES:</u>				
Electricity	7,486,612	-	-	7,486,612
Sewer	-	2,970,637	-	2,970,637
Water	-	2,011,640	888,365	2,900,005
Depreciation and amortization	749,890	1,474,857	263,326	2,488,073
Total operating expenses	<u>8,236,502</u>	<u>6,457,134</u>	<u>1,151,691</u>	<u>15,845,327</u>
<u>OPERATING INCOME</u>	<u>2,195,952</u>	<u>3,575,377</u>	<u>60,972</u>	<u>5,832,301</u>
<u>NON-OPERATING INCOME (EXPENSES):</u>				
Investment earnings (losses)	(41,941)	(915)	-	(42,856)
Interest expense	(397,958)	(431,602)	-	(829,560)
Total non-operating income (expenses)	<u>(439,899)</u>	<u>(432,517)</u>	<u>-</u>	<u>(872,416)</u>
<u>NET INCOME BEFORE TRANSFERS</u>	1,756,053	3,142,860	60,972	4,959,885
<u>TRANSFERS:</u>				
Transfers in	252,769	1,830,506	-	2,083,275
Transfers out	(710,124)	(2,142,000)	(200,000)	(3,052,124)
<u>CHANGE IN NET POSITION</u>	1,298,698	2,831,366	(139,028)	3,991,036
<u>NET POSITION, BEGINNING</u>				
<u>AS RESTATED (SEE NOTE 19)</u>	<u>4,469,142</u>	<u>24,435,141</u>	<u>8,162,456</u>	<u>37,066,739</u>
<u>NET POSITION, ENDING</u>	<u>\$ 5,767,840</u>	<u>\$ 27,266,507</u>	<u>\$ 8,023,428</u>	<u>\$ 41,057,775</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HERMISTON, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2022

	Business - Type Activities - Enterprise Funds			
	Electricity Operations	Utility Contributions	Regional Water Operations	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>				
Receipts from customers and users	\$ 10,542,578	\$ 10,194,968	\$ 1,126,727	\$ 21,864,273
Payments to suppliers and others	(7,391,959)	(2,943,979)	(759,905)	(11,095,843)
Payments to employees for salaries and benefits	(188,641)	(2,075,159)	(197,917)	(2,461,717)
Net cash provided by operating activities	<u>2,961,978</u>	<u>5,175,830</u>	<u>168,905</u>	<u>8,306,713</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</u>				
Transfers in	252,769	1,830,506	-	2,083,275
Transfers out	(710,124)	(2,142,000)	(200,000)	(3,052,124)
Net cash provided by (used for) noncapital financing activities	<u>(457,355)</u>	<u>(311,494)</u>	<u>(200,000)</u>	<u>(968,849)</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</u>				
Acquisition of capital assets	(1,110,941)	(1,830,490)	-	(2,941,431)
Principal paid on long-term obligations	(640,000)	(1,072,990)	-	(1,712,990)
Interest	(430,750)	(814,876)	-	(1,245,626)
Net cash provided by (used for) capital and related financing activities	<u>(2,181,691)</u>	<u>(3,718,356)</u>	<u>-</u>	<u>(5,900,047)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>				
Sales of investments	685,592	19,278	-	704,870
Purchases of investments	(636,412)	(17,893)	-	(654,305)
Investment earnings (losses)	(41,941)	(915)	-	(42,856)
Net cash provided by (used for) investing activities	<u>7,239</u>	<u>470</u>	<u>-</u>	<u>7,709</u>
<u>NET INCREASE IN CASH AND CASH EQUIVALENTS</u>	330,171	1,146,450	(31,095)	1,445,526
<u>CASH AND CASH EQUIVALENTS, BEGINNING</u>	2,289,041	3,349,039	561,322	6,199,402
<u>CASH AND CASH EQUIVALENTS, ENDING</u>	<u>\$ 2,619,212</u>	<u>\$ 4,495,489</u>	<u>\$ 530,227</u>	<u>\$ 7,644,928</u>
<u>COMPRISED AS FOLLOWS:</u>				
Cash and cash equivalents	\$ 2,399,603	\$ 4,466,753	\$ 530,227	\$ 7,396,583
Restricted cash and cash equivalents - current	219,609	28,736	-	248,345
	<u>\$ 2,619,212</u>	<u>\$ 4,495,489</u>	<u>\$ 530,227</u>	<u>\$ 7,644,928</u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF HERMISTON, OREGON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Fiscal Year Ended June 30, 2022

	Business - Type Activities - Enterprise Funds			
	Electricity	Utility	Regional	Totals
	Operations		Water	
	Fund	Operations	Operations	
<u>Reconciliation of operating income to net cash provided by (used for) operating activities:</u>				
Operating income	\$ 2,195,952	\$ 3,575,377	\$ 60,972	\$ 5,832,301
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and amortization	749,890	1,474,857	263,326	2,488,073
(Increase) decrease in assets and deferred outflows:				
Receivables	74,129	125,668	(85,936)	113,861
Prepaid	867	5,648	784	7,299
Other post employment benefits asset	(2,287)	(23,377)	(2,234)	(27,898)
Deferred outflows - pension	479	30,085	7,266	37,830
Deferred outflows - OPEB	370	4,614	586	5,570
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable and accrued expenses	(96,353)	(7,412)	(58,107)	(161,872)
Customer Deposits	35,995	-	-	35,995
Unearned revenues	-	36,789	-	36,789
Other post employment benefits liability	1,171	8,776	283	10,230
Net pension liability	(95,491)	(1,064,958)	(117,341)	(1,277,790)
Deferred inflows - pension	96,102	998,143	98,225	1,192,470
Deferred inflows - OPEB	1,154	11,620	1,081	13,855
Net cash provided by operating activities	<u>\$ 2,961,978</u>	<u>\$ 5,175,830</u>	<u>\$ 168,905</u>	<u>\$ 8,306,713</u>

The notes to the basic financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City's annual comprehensive financial report includes the accounts of all City operations. The financial statements of the City of Hermiston, Oregon have been prepared in conformity with generally accepted accounting policies as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Scope of reporting entity:

The City of Hermiston, Oregon, operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police), highway and streets, electricity, water and sanitation services, culture-recreation services, public improvements, inspection, planning and zoning, airport, and general administrative services.

Hermiston Urban Renewal Agency – The Agency was formed by the City Council in August 2013 for the purpose of revitalizing the downtown core area. Pursuant to ORS 457.055, the City Council has been appointed governing body of the Agency. The Urban Renewal Agency is reported as blended governmental fund.

Blended component units, although legally separate entities are, in substance, part of the government's operations and data from these units are combined with data of the primary government. The Hermiston Urban Renewal Agency has a June 30 year-end. The Hermiston Urban Renewal Agency is governed by the City Council and the city has operational responsibility for the agency. The Urban Renewal Agency financial statements may be obtained at the City's administrative offices.

The City and the Port of Umatilla, Oregon are co-owners of a regional water system. Each entity retains an undivided interest in assets and is responsible for specific liabilities. Each entity reports financial results separately in its financial statements.

B. Government-wide and fund financial statements:

The government-wide financial statements include the statement of net position and the statement of activities. These statements report activity as a whole. For the most part, the effect of interfund activity has been removed from these statements. Individual funds are not displayed. Instead the statements distinguish between governmental activities and business-type activities. Governmental activities are generally supported by taxes and City general revenues. Business-type activities are generally supported by fees charged to external customers.

The statement of activities separates program revenues from general revenues. Program revenues include: 1) charges for goods, services, and privileges, 2) operating grants and contributions, 3) capital grants and contributions.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. Government-wide and fund financial statements (continued):

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's enterprise funds are charges to customers for sales and services. These funds also recognize fees intended to recover the cost of connecting new customers to the City's utility systems as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and overhead, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Measurement focus, basis of accounting, and financial statement presentation:

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

Government-wide and proprietary fund financial statements are accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. With the flow of economic resources measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Under accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Governmental fund financial statements are reported using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Governmental fund financial statements use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available. "Measurable" means the amount of the transactions can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. Principal and interest on long-term debt are recorded as fund liabilities when due.

Those revenues susceptible to accrual are property taxes, franchise taxes, licenses, interest revenue, and charges for services. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued):

Unavailable revenue arises in the Governmental Funds Balance Sheet when potential revenue does not meet both the measurable and available criteria for recognition in the current period. This unavailable revenue consists primarily of uncollected property taxes and municipal court revenues not deemed available to financial operation of the current period. In the government-wide Statement of Net Position, with a full accrual basis of accounting, revenue must be recognized as soon as it is earned regardless of its availability. Thus, the liability created on the Governmental Fund Balance Sheet for unavailable revenue is eliminated. Note that unavailable revenues also arise outside the scope of measurement focus and basis of accounting, such as when the City receives resources before it has a legal claim to them. For instance, when grant monies are received prior to the incurrence of qualifying expenditures.

Unearned revenue is also reported as a liability on the Government-wide financial statements. In subsequent periods, when other revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability is removed and revenue is recognized.

D. Fund Types and Major Funds:

Governmental Funds

Governmental funds are generally used to account for activities supported by taxes and general City revenues. The City reports the following major governmental funds:

General Fund:

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

State Street Tax Fund:

The State Street Tax Fund is used to account for the City's share of motor fuel tax revenues and special grants that are legally restricted to the maintenance of the streets within the City.

Reserve Fund:

The Reserve Fund is used to account for grants, room taxes, and transfers designated for specific purposes. Allocations are maintained to ensure funds are expended according to restrictions imposed at the receipt of the funds or by later City designations of allowable uses of these funds.

City Hall Construction Fund:

The City Hall Construction Fund is used to account for bond proceeds received and to track expenditures related to the renovation of the library basement and construction of a new city hall.

Proprietary Funds

Proprietary Funds account for operations which are financed and operated with the intent that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. Proprietary funds distinguish between operating and non-operating revenues and expenses. Operating revenues and expenses generally result from providing goods and services in connection with the fund's principal purpose.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

D. Fund Types and Major Funds (continued):

The City reports the following major proprietary funds:

Utility Fund:

The Utility Fund is used to account for operations of the City’s water and sewer utilities.

Energy Fund:

The Energy Fund is used to account for operations of the City’s electricity distribution system.

Regional Water Fund:

The Regional Water Fund is used to account for operation of the regional water system. The regional water system treats and distributes water from the Columbia River for city use and sale to commercial users.

E. Capital assets and long-term liabilities:

The City capitalizes assets purchased or constructed with an individual cost more than \$5,000 and an estimated useful life in excess of one year. Not all items reported as capital outlay meet these requirements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at estimated acquisition values on the date donated.

Capital assets are comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported on their respective fund financial statements. Capital assets are depreciated using the straight-line method. Maintenance and repairs are charged to expenditures in various budgetary funds as incurred and are not capitalized. Upon disposal, the cost and applicable accumulated depreciation are removed from the respective account, and the resulting gain or loss is recorded in operations.

Estimated useful lives for depreciable assets are as follows:

Electricity distribution system	33 years
Street system	20 to 50 years
Water and sewer system	25 to 50 years
Water and sewer system	10 to 25 years
Machinery and equipment	5 to 10 years

Long-term debt and other long-term obligations are reported as liabilities in the government-wide financial statements and the fund financial statements of the proprietary funds. Bond premiums and discounts are deferred and amortized over the life of the bond. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as expenses of the period incurred in the fund financial statements of governmental funds.

F. Cash and cash equivalents:

For the purposes of the statement of cash flows, the City considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments included in cash and cash equivalents are reported at fair value. The City invests in the State of Oregon Local Government Investment Pool, which is authorized by Oregon Revised Statutes. Interest earned from pooled investments is allocated based on a fund’s portion of the total investment balance. The City maintains depository insurance under Federal depository insurance funds and state and financial institution collateral pools for its cash deposits and investments, except the Local Government Investment Pool, which is exempt from statutes requiring such insurance.

G. Investments:

Investments are stated at share value, which approximates fair value.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

H. Inventories and Prepaid Items:

Inventory and prepaid items such as insurance are recorded in governmental funds using the purchases method and are expensed when purchased. The amounts are converted to the consumption method for the full accrual government-wide and proprietary fund statements and are expensed when the prepaid items and inventory are used. Inventory in the governmental activities consists of airport fuel and is determined by physical count and stated at the lower of cost (first in, first out) or market.

I. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

J. Compensated Absences:

The City allows employees to accumulate earned but unused vacation leave. Vested or accumulated vacation leave is recorded as an expense and liability in the government-wide and proprietary financial statements as the benefits accrue to employees. An expense and liability for these amounts is reported in the governmental funds only if they have matured as a result of employee resignations and retirements. Compensated absences of governmental activities are generally liquidated by the general fund.

K. Interfund Transactions:

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

L. Property Taxes:

Umatilla County assesses, collects, and distributes property taxes for all local governments within the County. Property taxes are billed in October of each year. Unpaid personal and real property taxes become liens against the property on January 1 and July 1, respectively. Property taxes are payable in three installments due November 15, February 15, and May 15. A 3% discount is allowed for full payment by November 15. Interest at 16% annually is charged for late payments.

M. Income Taxes:

The City is a municipal corporation exempt from federal and state income taxes.

N. Deferred Outflows/Inflows of Resources:

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure/expense) until then. The City has two items that qualify for reporting in this category. The deferred amount relating to pensions and other post-employment benefits (OPEB) is recognized as an outflow of resources in the period when the City recognizes expense/expenditures. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows are included in the government-wide Statement of Net Position and the proprietary funds Statement of Net Position.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

N. Deferred Outflows/Inflows of Resources (continued):

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net assets that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has several items that qualify for reporting in this category. Unavailable revenue from property taxes in the General Fund, grants in the Reserve Fund, and municipal court in other governmental funds is reported in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that amount becomes available. The City also reports deferred amounts related to pensions and OPEB in the government-wide Statement of Net Position and in the proprietary funds Statement of Net Position. This amount is deferred and recognized as an inflow of resources in the period with the City recognizes pension and OPEB expense.

O. Pensions:

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Oregon Public Employees Retirement System (OPERS) and additions to/deductions from OPERS's fiduciary net position have been determined on the same basis as they are reported by OPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Pension contributions of governmental activities are generally liquidated by the general and street tax funds.

P. Post-employment Health Care Benefits:

The City does not provide any significant post-employment health care benefits. Retired employees are allowed to continue their group health care insurance at their own expense.

Q. Credit Risk:

The City grants credit to utility customers, substantially all of whom are local residents.

R. Net Position:

In the government-wide financial statements and proprietary funds financial statements, net positions are reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets represents capital assets less accumulated depreciation less outstanding principal of related debt. Net investment in capital assets does not include the unspent proceeds of capital debt. Restricted net position represents net position restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and by enabling legislation. The classification of borrowing as capital-related is made separately for each column reported on the government-wide statement of net position. The City's other restricted net position is temporarily restricted (ultimately expendable) assets. All other net position is considered unrestricted.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

S. Fund Balance:

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – non-spendable, restricted, committed, assigned and unassigned.

Non-Spendable – Includes amounts not immediately converted to cash, such as prepaid items, advances to other funds, and inventory.

Restricted – Includes amounts that are restricted by external creditors, grantors or contributors, or restricted by enabling legislation.

Committed – Includes amounts that have been committed by resolution by the City Council which is the City’s “highest level of decision-making authority.” Committed amounts may not be used for any other purpose unless the City Council removes the constraint by similar council action. Commitments of fund balance must be made prior to the end of the fiscal year.

Assigned – Includes amounts assigned for specific purposes by council action who authorizes, by resolution, the City Manager or Finance Director to assign fund balance. Assigned fund balance is also established by the Council through adoption or amendment of the general fund budget as intended for specific purpose.

Unassigned – This is the residual classification used for those balances not assigned to another category. The general fund should be the only fund that reports a positive unassigned fund balance amount. Because a negative residual amount should not be reported for restricted, committed, or assigned fund balances in any fund, it may be necessary to report a negative unassigned fund balance.

When the option is available to use restricted or unrestricted resources for any purpose, the City expends restricted resources first. When the option is available to use committed, assigned, or unassigned resources for any purpose, the City expends committed resources before assigned resources, and assigned resources before unassigned resources.

The City's policy is to maintain a General Fund minimum unrestricted fund balance (which includes: committed, assigned, and unassigned fund balances) of 15% of General Fund annual operating expenditures. Additionally, it is the City's policy to maintain minimum working capital (defined as current assets less current liabilities) sufficient to meet forty-five days operating expenses in the Utility Fund and Energy Fund.

NOTE 2 – CASH AND INVESTMENTS:

At June 30, 2022 cash and investments consisted of the following:

Cash	\$ 10,785,846
Cash equivalents	5,311,971
Total cash and cash equivalents	<u>\$ 16,097,817</u>
Cash and cash equivalents are displayed on the financial statements as:	
Cash and cash equivalents	\$ 15,765,734
Restricted cash and cash equivalents	332,083
Total cash and cash equivalents	<u>\$ 16,097,817</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued):

<u>Investment Type</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
Local Government Investment Pool	0.62	\$ 5,311,971
Government Cash Reserves Fund	-	28,791
Corporate Bonds (21% BBB+, 34% A-, 10% A, 8% A+, 13% AA-, 14% AA+)	1.12	2,429,588
Municipal Bonds	0.36	875,348
US Agencies (All rated agencies are AA+)	0.73	1,743,437
Accrued Interest	-	29,087
	<u>2.83</u>	<u>10,418,222</u>
Less amounts classified as cash equivalents	<u>(0.62)</u>	<u>(5,311,971)</u>
Total investments	<u>2.21</u>	<u>\$ 5,106,251</u>

Restricted Cash

Current restricted cash includes \$332,083 of customer deposits and \$47,555 in police evidence.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. The City does not have a deposit policy for custodial credit risk. The Federal Depository Insurance Corporation (FDIC) and National Credit Union Administration (NCUA) provides insurance for the City's deposits up to \$250,000 for the combined total of all deposit accounts at each financial institution. The remaining deposits are covered by the Public Funds Collateralization program (PFCP) of the State of Oregon in accordance with ORS 295. Depositories qualified under this program are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank failure or loss. ORS 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS 295 creates a shared liability structure for participating depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. As of June 30, 2022, the book value of the City's deposits were \$10,742,769 and the bank balance was \$10,045,269. \$9,795,269 of the City's bank balances were exposed to custodial credit risk as they were collateralized under PFCP.

Interest Rate Risk – Investments

To the extent possible, investments are matched with anticipated cash flow requirements and known future liabilities. Unless matched to a specific cash flow requirement, the City does not invest in securities maturing more than five years from the date of settlement. The weighted average final maturity of the City's portfolio cannot exceed 3 years at any time.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued):

Fair Value Hierarchy – Investments

The City categorizes fair value measurements within the hierarchy established by GASB Statement 72. The hierarchy is based on the inputs used to measure the fair value of an asset. Level 1 inputs are quoted prices in active markets for identical instruments. The City considers US government agency obligations to be level 1. Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, or model-derived valuations in which all significant inputs are observable, and level 3 inputs are significant unobservable input, the LGIP is not required to be categorized. The City considers all other investments other than LGIP and US Government agencies to be level 2.

Credit Risk – Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Oregon Revised Statutes, Chapter 294, authorizes the City to invest in obligations of the United States Treasury and United States Government agencies and instrumentalities, certain certificates of deposit and bankers' acceptances, repurchase agreements, certain high-grade commercial paper and corporate bonds and obligations of states and municipalities.

All investments of the City are made in accordance with Oregon Revised Statutes Chapter 294. Any revisions or extensions of these sections of ORS Chapter 294 are assumed to be part of the City's Investment Policy immediately upon being enacted.

The City's minimum weighted average credit rating of the portfolio's rated investments shall be Aa/AA/AA by Moody's Investor's Services, Standard & Poors, and Fitch Ratings Service, respectively.

The following table limits exposures among investments permitted by this policy:

Issue Type	Maximum % of Holdings	Minimum Ratings Moody's/S&P/ Fitch
US Treasury Obligations	100%	NONE
US Agency Securities	100%	-
Per Agency (Senior Obligations Only)	33%	-
Corporate Bonds	35%	AA,Aa2, or AA
Issuer % per issue	5%	-
Municipal Bonds	10%	AA,Aa2, or AA
Oregon, California, Idaho, Washington		-
Issuer % per issue	25%	-
Oregon Short Term Fund	Maximum allowed per ORS 294.810	-
Bank Time Deposits/Savings(1)	50%	-
Accounts/Certificates of Deposit(1)		
Per Institution	25%	-

(1) As authorized by ORS 294.035(3)(d)

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (continued):

Concentration of Credit Risk – Investments

The City is required to provide information about the concentration of credit risk associated with its investments in one issuer that represent 5 percent or more of the total investments, excluding investments in mutual funds, external investment pools, other pooled investments or those issued and explicitly guaranteed by the U.S. Government. At June 30, 2022 the City does not have investments exposed to concentration of credit risk. Investments in Corporate bonds cannot exceed 5% per issue by City policy.

Custodial Credit Risk – Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker/dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The City's investment policy limits its exposure to custodial credit risk by requiring that all security transactions entered into by the City be conducted on a delivery-versus-payment basis. Securities are to be held by a third party custodian in a segregated account. For each transaction, the broker or securities dealer issues a confirmation ticket to the City listing the specific instrument, issue, rating, coupon, maturity, CUSIP number, purchase or sale price, yield, transaction date, and other pertinent information. At June 30, 2022, the City does not have investments exposed to custodial credit risk.

Investment Policies

The City has adopted the following investment policy to address the risks listed above:

Permitted investments include: US Treasury obligations, US agency obligations, Corporate bonds, the Oregon Short Term Fund, bank time deposits and savings accounts.

All bank demand deposits and time deposits shall be held in qualified Oregon depositories in accordance with ORS 295. The maximum portfolio average maturity shall be three years.

NOTE 3 – ALLOWANCE FOR DOUBTFUL ACCOUNTS:

An allowance for doubtful accounts has been established in the Utility Fund for \$124,030 and the Energy Services Fund for \$38,820. All other accounts are considered fully collectible. Accordingly, no additional provision for estimated uncollectible accounts has been established.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 4 – CAPITAL ASSETS:

The changes in capital assets for the governmental activities for the year ended June 30, 2022 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital Assets, non-depreciable:				
Land	\$ 3,558,310	\$ -	\$ -	\$ 3,558,310
Construction in progress	4,352,107	11,355,595	(3,928,714)	11,778,988
Total capital assets, non-depreciable	<u>7,910,417</u>	<u>11,355,595</u>	<u>(3,928,714)</u>	<u>15,337,298</u>
Capital assets, depreciable:				
Buildings and improvements	38,894,702	4,087,793	-	42,982,495
Machinery and equipment	4,537,687	10,083	(116,991)	4,430,779
Street system	19,595,269	-	-	19,595,269
Total capital assets, depreciable	<u>63,027,658</u>	<u>4,097,876</u>	<u>(116,991)</u>	<u>67,008,543</u>
Less accumulated depreciation for:				
Buildings and improvements	(13,342,860)	(1,509,041)	-	(14,851,901)
Machinery and equipment	(3,193,278)	(270,303)	116,991	(3,346,590)
Street system	(13,770,821)	(491,133)	-	(14,261,954)
Total accumulated depreciation	<u>(30,306,959)</u>	<u>(2,270,477)</u>	<u>116,991</u>	<u>(32,460,445)</u>
Net depreciable capital assets	<u>32,720,699</u>	<u>1,827,399</u>	<u>-</u>	<u>34,548,098</u>
Net capital assets	<u>\$ 40,631,116</u>	<u>\$ 13,182,994</u>	<u>\$ (3,928,714)</u>	<u>\$ 49,885,396</u>

Depreciation expense is allocated to governmental functions as follows:

Governmental activities:	
General government	\$ 518,558
Public safety	72,739
Highways and streets	588,571
Culture and recreation	1,090,609
Total depreciation expense - governmental activities	<u>\$ 2,270,477</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 4 – CAPITAL ASSETS (continued):

The changes in capital assets for the business-type activities for the year ended June 30, 2022 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Business-type activities:</u>				
Capital Assets, non-depreciable:				
Land	\$ 1,079,743	\$ -	\$ -	\$ 1,079,743
Construction in progress	262,023	1,722,128	(907,419)	1,076,732
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, non-depreciable	1,341,766	1,722,128	(907,419)	2,156,475
	<hr/>	<hr/>	<hr/>	<hr/>
Capital assets, depreciable:				
Utility Systems and buildings	79,206,130	1,015,781	-	80,221,911
Electrical system	24,735,465	1,110,941	-	25,846,406
Equipment and vehicles	2,213,794	-	-	2,213,794
	<hr/>	<hr/>	<hr/>	<hr/>
Total capital assets, depreciable	106,155,389	2,126,722	-	108,282,111
	<hr/>	<hr/>	<hr/>	<hr/>
Less accumulated depreciation for:				
Utility Systems and buildings	(27,752,859)	(1,371,607)	-	(29,124,466)
Electrical system	(9,715,335)	(749,890)	-	(10,465,225)
Equipment and vehicles	(1,625,561)	(320,669)	-	(1,946,230)
	<hr/>	<hr/>	<hr/>	<hr/>
Total accumulated depreciation	(39,093,755)	(2,442,166)	-	(41,535,921)
	<hr/>	<hr/>	<hr/>	<hr/>
Net depreciable capital assets	67,061,634	(315,444)	-	66,746,190
	<hr/>	<hr/>	<hr/>	<hr/>
Net capital assets	\$ 68,403,400	\$ 1,406,684	\$ (907,419)	\$ 68,902,665
	<hr/>	<hr/>	<hr/>	<hr/>

Depreciation expense is allocated to governmental functions as follows:

Business-type activities:

Water	\$ 539,585
Sewer	889,365
Electric	749,890
Regional Water	263,326
	<hr/>
Total depreciation expense - business-type activities	\$ 2,442,166
	<hr/>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 5 – RISK MANAGEMENT:

The City pays claims for unemployment compensation costs when billed by the state. The cost to the City should they be forced to terminate a group of employees has not been determined.

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. There were no significant reductions in insurance coverage from coverage in the prior year.

NOTE 6 – LONG-TERM DEBT:

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Governmental activities:					
Principal Transactions:					
Governmental bonds					
2011 Refunding regional water bonds	\$ 1,010,000	\$ -	\$ (285,000)	\$ 725,000	\$ 295,000
2011 Refunding regional water premium	39,648	-	(9,912)	29,736	9,912
2013 Pool bonds	2,355,000	-	(140,000)	2,215,000	145,000
2013 Pool premium	76,104	-	(6,342)	69,762	6,342
2017 HURA bonds	1,250,000	-	(60,000)	1,190,000	65,000
2017 HURA premium	38,573	-	(2,455)	36,118	2,455
2017 TPA bonds	1,795,000	-	(90,000)	1,705,000	90,000
2017 TPA premium	55,629	-	(3,542)	52,087	3,542
2020 City hall bonds	8,750,000	-	(170,000)	8,580,000	175,000
2020 City hall premium	720,951	-	(110,182)	610,769	102,874
Total governmental bonds	<u>16,090,905</u>	<u>-</u>	<u>(877,433)</u>	<u>15,213,472</u>	<u>895,125</u>
Governmental notes payable					
TYMCO, Inc. sweeper	133,187	-	(31,388)	101,799	32,627
Bank of the West chipper	26,172	-	(8,017)	18,155	8,705
Umatilla Electric Cooperative	250,000	-	(25,000)	225,000	25,000
Bank of Eastern Oregon	-	60,266	-	60,266	60,266
Oregon Business Development Dept.	4,477,188	-	(239,139)	4,238,049	246,529
Total Governmental notes payable	<u>4,886,547</u>	<u>60,266</u>	<u>(303,544)</u>	<u>4,643,269</u>	<u>373,127</u>
Other Governmental long-term obligations					
Enterprise Fleet vehicle leases	504,309	167,381	(122,114)	549,576	141,830
Compensated absences	476,728	604,014	(580,702)	500,040	400,032
Total governmental activities	<u>\$ 21,958,489</u>	<u>\$ 831,661</u>	<u>\$(1,883,793)</u>	<u>\$ 20,906,357</u>	<u>\$ 1,810,114</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 6 – LONG-TERM DEBT (continued):

Long-term liability activity for the year ended June 30, 2022 was as follows (continued):

	Balance June 30, 2021	Increases	Decreases	Balance June 30, 2022	Due Within One Year
Business - type activities :					
Enterprise bonds					
2014 Sewer and water bonds	\$ 4,185,000	\$ -	\$ (145,000)	\$ 4,040,000	\$ 155,000
2014 Sewer and water premium	200,374	-	(10,546)	189,828	10,546
2016 Electric bonds	13,095,000	-	(640,000)	12,455,000	660,000
2016 Electric premium	695,688	-	(45,495)	650,193	45,495
2017 Water bonds	2,675,000	-	(130,000)	2,545,000	135,000
2017 Water premium	82,950	-	(5,281)	77,669	5,281
2020 Sewer refunding bonds	13,895,000	-	(760,000)	13,135,000	790,000
2020 Sewer refunding premiums	2,381,733	-	(363,998)	2,017,735	339,854
Total enterprise bonds	<u>37,210,745</u>	<u>-</u>	<u>(2,100,320)</u>	<u>35,110,425</u>	<u>2,141,176</u>
Other Business-type long-term obligations					
Enterprise Fleet vehicle leases	150,668	53,431	(37,990)	166,109	43,672
Compensated absences	97,994	104,887	(116,375)	86,506	69,205
Total business-type activities	<u>\$ 37,459,407</u>	<u>\$ 158,318</u>	<u>\$ (2,254,685)</u>	<u>\$ 35,363,040</u>	<u>\$ 2,254,053</u>
Total City	<u>\$ 59,417,896</u>	<u>\$ 989,979</u>	<u>\$ (4,138,478)</u>	<u>\$ 56,269,397</u>	<u>\$ 4,064,167</u>

The City is subject to a debt limit of 3% of the real market value of taxable property within its boundaries. The limit does not apply to debt issued to finance specified capital improvements. For the year ended June 30, 2022, the City's legal debt margin, the debt limit less applicable debt, was \$47,942,755.

Bonds Payable:

The City issues bonds to provide funds for the acquisition and construction of major capital facilities. Bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues.

Several of the City's long-term debt agreements require interest rates to increase with the passage of time. Bonds reported in this section show their range of interest rates from inception to final repayment. All interest rates vary according to their respective agreements.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 6 – LONG-TERM DEBT (continued):

Bonds Payable (continued):

In October 2011, the City issued Water Refunding Bonds valued at \$3,390,896 with interest rates ranging from 2.0% to 4.0% to provide resources to retire refunding bonds issued in 2000 with a face value of \$3,275,000. The City completed this redemption to reduce its total debt service payments over the next thirteen years by approximately \$541,000 and to obtain an economic gain of approximately \$449,000. The economic gain is the difference between the present value of the old and new debt service as estimated by the City's financial advisors.

In April 2013, the City issued Full Faith and Credit Refunding Obligations valued at \$3,334,544 with interest rates ranging from 0.45% to 4.00% to provide resources to retire general obligation bonds issued in March 2003 with a face value of \$3,635,000 that financed construction of an aquatic center. The City completed this redemption to reduce its total debt service payments over the next twenty years by approximately \$600,000 and to obtain an economic gain of approximately \$464,000. The economic gain is the difference between the present value of the old and new debt service as estimated by the City's financial advisors.

In March 2017, the City issued Full Faith and Credit Obligations of \$1,475,000 with interest rates ranging from 3.0% to 3.5% to finance projects described in the Hermiston Urban Renewal Agency plan. The City in turn entered into an agreement with the Hermiston Urban Renewal Agency (HURA) for repayment of the obligations. The City has elected to report the obligations as a direct debt of the Hermiston Urban Renewal Agency (a blended component unit), which recognizes that HURA is directly responsible for the debt payments.

In March 2017, the City issued Full Faith and Credit Obligations of \$2,120,000 with interest rates ranging from 3.0% to 3.5% to finance capital improvements for the Eastern Oregon Trade and Event Center (EOTEC). The debt proceeds were passed through to EOTEC upon issuance. Repayment of the obligations is expected to come from the TPA capital assessment collected by the City.

In September 2020, the City issued Full Faith and Credit Obligations of \$8,865,000 with interest rates ranging from 2.5% to 4.0% to finance replacement of city hall.

In April 2014, the City issued Water and Sewer Revenue Bonds valued at \$4,715,000 with interest rates ranging from 4.0% to 5.0% to provide resources to construct a wastewater treatment and recycled water plant.

The City issued electric system revenue refunding bonds in September 2016 for \$15,530,000 with interest rates ranging from 1.3% to 4.0% to retire bonds issued in 2005 in a current refunding and to provide funds for electric system improvements. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$228,854. This difference and a bond premium of \$909,893 are being charged to operations over the life of the debt. The refunding resulted in a reduction in debt service over the next sixteen years of approximately \$2.05 million and an economic gain of approximately \$1.68 million. The economic gain is the difference between the present value of the old debt and new debt service as estimated by the City's financial advisors.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 6 – LONG-TERM DEBT (continued):

Bonds Payable (continued):

In March 2017, the City issued Water and Sewer Full Faith and Credit Obligations of \$3,160,000 with interest rates ranging from 3.0% to 3.5% to purchase and install new equipment and machinery at the sewer treatment plant and to purchase and replace all water meters in the City with remote-read meters.

In September 2020, the City issued full faith and credit bonds of \$14,830,000 with interest rates of 4.0% to provide resources to retire two notes payable to Oregon Department of Environmental Quality with face values totaling \$21,100,000. The City completed this redemption to reduce its total debt service payments over the next fifteen years by approximately \$1,195,000 and to obtain an economic gain of approximately \$1,159,000. The economic gain is the difference between the present value of the old and new debt service as estimated by the City's financial advisors.

Future debt service requirements for bonds-payable are as follows:

Fiscal Year Ending June 30,	Total enterprise bonds		Total governmental bonds	
	Principal	Interest	Principal	Interest
2023	\$ 2,141,176	\$ 1,187,162	\$ 895,125	\$ 465,006
2024	2,176,419	1,125,113	917,631	435,457
2025	2,216,408	1,060,912	760,060	409,007
2026	2,256,043	993,862	647,470	388,681
2027	2,305,590	921,563	659,766	369,882
2028-2032	12,030,319	3,456,062	3,478,843	1,539,189
2033-2037	11,042,832	1,222,513	2,829,577	998,460
2038-2042	941,638	55,600	1,730,000	575,125
2043-2047	-	-	1,980,000	315,125
2048-2052	-	-	1,315,000	66,375
	<u>\$ 35,110,425</u>	<u>\$ 10,022,787</u>	<u>\$ 15,213,472</u>	<u>\$ 5,562,307</u>

Notes Payable:

In March 2021, the City borrowed \$250,000 from Umatilla Electric Cooperative, the recipient of a USDA Rural Development Grant for the purpose of establishing a revolving loan fund, for the purpose of rebuilding a playground. The loan will be repaid in ten \$25,000 installments without interest. Interest has not been imputed because it is not deemed material to the financial statements. The loan is collateralized by all furniture, fixtures and equipment. In the Event of Default, the lender may declare the outstanding loan immediately due and payable.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 6 – LONG-TERM DEBT (continued):

Notes Payable (continued):

The City borrowed \$4,477,188 with an interest rate of 3.09% from Oregon Business Development Department (OBDD) to upgrade their water system. Annual payments of principal and interest are due each December and final repayment is expected in 2035. The loan will be repaid from monies from a long term rural enterprise zone agreement between the City and a local business and an additional \$2 million of monies from the County out of their portion of the long term rural enterprise zone agreement. The agreement has been pledged as collateral for the loan.

The City entered into a purchase agreement for a street sweeper for \$192,430 with an effective interest rate of 3.95%. Annual payments of \$36,649 are due in May of each year and the final payment is expected in May of 2025. The equipment is collateral on the agreement.

The City entered into a purchase agreement for a chipper for \$40,600 with an effective interest rate of 6.8%. Annual payments of \$9,878 are due in July of each year and the final payment is expected in July of 2024. The equipment is collateral on the agreement.

The City entered into a revolving line of credit loan agreement with Bank of Eastern Oregon in September of 2021. The proceeds are intended to bridge the cash flow requirement for construction of the South Hermiston Industrial Park. A single loan disbursement was drawn during the fiscal year in the amount of \$60,266. Proceeds received were repaid in full, including interest, in September 2022, no other disbursements are expected to be made.

Future debt service requirements for notes payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2023	\$ 373,127	\$ 136,150
2024	322,512	126,498
2025	322,256	116,878
2026	295,095	107,389
2027	303,441	99,043
2028-2032	1,626,706	360,717
2033-2037	1,400,132	109,806
	<u>\$ 4,643,269</u>	<u>\$ 1,056,481</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements
June 30, 2022

NOTE 7 – NET INVESTMENT IN CAPITAL ASSETS:

	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Capital assets	\$ 49,885,396	\$ 68,902,665	\$ 118,788,061
Capital debt:			
Bonds payable	(13,690,000)	(32,175,000)	(46,590,000)
Notes payable	(405,220)	-	(4,643,269)
Premiums	(768,736)	(2,935,425)	(3,733,897)
Deferred refunding costs	-	143,036	143,036
Total net investment in capital assets	<u>\$ 35,021,440</u>	<u>\$ 33,935,276</u>	<u>\$ 63,963,931</u>

The classification of borrowing as capital-related is made separately for each column reported on the government-wide statement of net position. Consequently, \$725,000 in bonds payable, \$29,736 in premiums and \$4,238,049 in notes payable reported in the total column is not reported in the governmental or business-type activities as the governmental activities hold the debt and the business-type activities hold the assets.

NOTE 8 – OPERATING LEASES:

Lease Assets:

The City leases vehicles for use in its operations. The City reports property leased as a lease asset. Lease assets are amortized over the shorter of: 1) the useful life of the property, or 2) the noncancellable term of the lease plus any extensions allowed in the lease agreement that the City is reasonably certain will occur. Lease assets are amortized using the straight-line method.

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2021</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2022</u>
Lease assets:				
Equipment	\$ 853,819	\$ 220,812	\$ -	\$ 1,074,631
Total lease assets	<u>853,819</u>	<u>220,812</u>	<u>-</u>	<u>1,074,631</u>
Less: Accumulated amortization:				
Equipment	(245,040)	(190,420)	-	(435,460)
Total accumulated amortization	<u>(245,040)</u>	<u>(190,420)</u>	<u>-</u>	<u>(435,460)</u>
Total lease assets, net	<u>\$ 608,779</u>	<u>\$ 30,392</u>	<u>\$ -</u>	<u>\$ 639,171</u>

Lease Liability:

The City reports the present value of payments expected to be made during the lease term as a lease liability. The City's lease payments are for stated amounts and do not have variable payments. The City guarantees that book value of the vehicles will not exceed wholesale value at the end of the lease term. The City intends to purchase every leased vehicle for book value at the end of the lease making its guarantee inapplicable. The City's future maturities for lease liabilities are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 185,502	\$ 25,155	\$ 210,657
2024	209,341	17,555	226,896
2025	200,886	9,035	209,921
2026	60,526	3,826	64,352
2027	59,430	1,268	60,698
	<u>\$ 715,685</u>	<u>\$ 56,839</u>	<u>\$ 772,524</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 9 – FUND BALANCE:

Fund balances by classification for the year ended June 30, 2022 were as follows:

	Combined General Fund	State Street Tax Fund	Reserve Fund	City Hall Construction Fund	Non-major Governmental Funds	Total Governmental Funds
Fund Balance						
Nonspendable:						
Advance to other funds	\$ 1,819	\$ -	\$ -	\$ -	\$ -	\$ 1,819
Restricted for:						
Debt service	-	-	-	-	101,176	101,176
Culture and recreation	-	-	397,675	-	13,776	411,451
General government	-	-	-	-	-	-
Highways and streets	-	364,250	1,607,200	-	-	1,971,450
Public safety	-	-	-	-	46,059	46,059
Economic development	-	-	372,417	-	365,515	737,932
Utility systems	-	-	-	-	1,244,571	1,244,571
System development	-	-	543,362	-	-	543,362
Committed to:						
Municipal court	-	-	-	-	1,933	1,933
Culture and recreation	-	-	307,927	-	10,603	318,530
Highways and streets	-	-	506,870	-	-	506,870
Economic development	-	-	27,602	-	-	27,602
Public safety	-	-	72,000	-	58,527	130,527
Utility systems	-	-	4,082,045	-	-	4,082,045
Other reserves	-	-	629,072	-	-	629,072
Unassigned	2,251,160	-	-	(157,256)	(1,847,338)	246,566
Total Fund Balance	\$ 2,252,979	\$ 364,250	\$8,546,170	\$ (157,256)	\$ (5,178)	\$ 11,000,965

\$2,154,750 of restricted fund balance is restricted by enabling legislation.

NOTE 10 – GARBAGE DISPOSAL CONTRACT:

The City contracts for garbage disposal with a third party. Under terms of the agreement the City remits 6.5% of collected sanitation fees to the contracting party, with the General Fund retaining 13.5% of the fees as compensation for billing and collection services and as franchise fees.

NOTE 11 – INTERFUND TRANSFERS, LOANS, RECEIVABLES, PAYABLES:

Interfund Transfers:

The City makes routine transfers between funds as follows:

- Amounts designated for specific purposes authorized by resolutions of the City Council are transferred to one of the City's reserve funds.
- Amounts designated for debt service are transferred to the Debt Service Fund.
- The Energy Fund pays five percent of gross energy revenues in lieu of taxes to the General Fund.
- The City resolution requires requiring 1/3 of franchise fees be transferred to the Reserve Fund for street improvements.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 11 – INTERFUND TRANSFERS, LOANS, RECEIVABLES, PAYABLES (continued):

Interfund Transfers (continued):

Budgetary basis transfers reported on the Budgetary Comparison Schedules differ from those reported on the modified accrual basis in the fund financial statements because:

- The City budgets payment in lieu of taxes as an expenditure of the Energy Fund and as revenue to the General Fund. The fund financial statements report these as a transfer.
- Expenditures for proprietary fund capital assets and repairs are made by the Reserve Fund. The City budgets these expenditures as capital outlay and materials and services, but the fund financial statements report them as transfers.
- The City budgets administrative overhead reimbursements from the Street Fund, Utility Fund, Energy Fund and Regional Water Fund to the General Fund as transfers. The fund financial statements report these reimbursements as expenditures/expenses and reductions of expenditures in the General Fund.
- The City budgets debt service payments in the Utility Fund for governmental long-term debt. The debt is backed by revenues from an enterprise zone agreement. Transfers are budgeted from the Enterprise Zone Fund to the Utility Fund. The fund financial statements will eliminate the transfer and treat the Enterprise Zone Fund as having made the debt service payment.

Transfers consist of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
Combined General Fund	\$ 2,308,572	\$ 908,459
State Street Tax Fund	39,453	339,500
Reserve Fund	3,590,139	2,122,712
Total Major Governmental Funds	<u>5,938,164</u>	<u>3,370,671</u>
Non-Major Governmental Funds:		
Law Enforcement Fund	3,705	-
Miscellaneous Special Revenue Fund	-	47,918
Transient Room Tax Fund	-	844,565
Enterprise Zone Project Fund	-	509,641
EOTEC Operations Fund	125,956	-
Local Improvement District Fund	50,000	585,000
Bonded Debt Fund	208,819	-
Total Non-Major Governmental Funds	<u>388,480</u>	<u>1,987,124</u>
Total Governmental Funds	<u>6,326,644</u>	<u>5,357,795</u>
Proprietary Funds:	<u>Transfer In</u>	<u>Transfer Out</u>
Energy Operations	252,769	710,124
Utility Operations	1,830,506	2,142,000
Regional Water Operations	-	200,000
Total Proprietary Funds	<u>2,083,275</u>	<u>3,052,124</u>
Total All Funds	<u>\$ 8,409,919</u>	<u>\$ 8,409,919</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 11 – INTERFUND TRANSFERS, LOANS, RECEIVABLES, PAYABLES (continued):

Interfund Loans Receivables and Payables:

Interfund loans were used to provide funding for capital improvements and to meet immediate operating needs. Interfund capital loans are scheduled to be repaid over a two to ten year period.

	Interfund Loan Receivable	Interfund Loan Payable
Combined General Fund	\$ 1,819	\$ -
Transient Room Tax Fund	-	122,622
Hermiston Urban Renewal Agency Fund	-	320,156
Reserve Fund	1,921,405	-
EOTEC Operations Fund	-	53,243
Local Improvement District Fund	-	1,745,540
City Hall Construction Fund	318,337	-
Total	<u>\$ 2,241,561</u>	<u>\$ 2,241,561</u>

NOTE 12 – CONTINGENT LIABILITIES:

Amounts received or receivable from state and federal grants are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time. The City expects such amounts, if any, to be immaterial.

Various claims and lawsuits are pending against the City. In the opinion of City management, the potential loss on all claims will not be significant to the City's financial statements.

Major projects in progress at year end are summarized as follows:

1. Airport Master Plan – The City was awarded state and federal grants totaling \$330,000 to update the airport master plan. Total costs are estimated at \$333,300, with the City's portion estimated at about \$3,300. Costs incurred as of June 30, 2022 were \$317,253.
2. EOTEC Improvements – The City has spent \$41,662 in engineering and design costs towards the EOTEC RV Park and storage building. The project is in the engineering stage and a cost estimate is not yet available. The EOTEC strategic plan includes a list of projects in the coming fiscal years including: securing water rights, improve landscaping, update overall site plan, improve security system and PA system, add a multi-sports facility, improve access and parking, and build an indoor arena/pavilion.
3. Airport Apron Rehab – The City was awarded state and federal grants totaling \$1,750,171 to rehabilitate the airport apron. Total costs are estimated at approximately \$2,000,000. Costs incurred as of June 30, 2022 were \$2,043,748.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 12 – CONTINGENT LIABILITIES (continued):

4. Geer and Harper Intersection Realignment – The City has spent \$233,357 of an expected \$1.5 million to reconstruct a three-way intersection that also includes a railway crossing. The intersection needs to be reconstructed to improve traffic and pedestrian access, and ensure connectivity to property east of N. 1st Place.
5. Lift Station Improvements – The City is currently spending \$640,000 to consolidate two lift stations and update the remaining station to improve operations. The City expects to spend \$1.7 million to \$2.4 million per year in water and sewer system improvements each year through 2024.
6. City Hall Replacement - City Hall was damaged in a December 2019 fire. The City sold \$23.7 million of full faith and credit bonds in September 2020. The bonds will provide \$9.6 million of funding to replace City Hall. The City has spent \$9,008,332 in construction, engineering and design costs towards City Hall Replacement as of June 30, 2022.

NOTE 13 – EASTERN OREGON TRADE AND EVENTS CENTER (EOTEC):

The City and Umatilla County amended their agreement effective March 12, 2018 and the EOTEC Authority was dissolved and merged into the City of Hermiston and a management company is operating the facility on the City's behalf. Under the agreement, Umatilla County transferred all interest in the EOTEC property, agreed to provide annual contributions of \$75,000 per year through October of 2022, and has made improvements to East Airport and Ott Roads. Upon completion of the improvements, the City will take over maintenance and control of the roads. The County also provided \$105,000 towards the construction overrun, \$595,000 to split equipment and capital needs identified by the management company, and agreed to an annual lease payment of \$100,000 for six week use of the fairgrounds each year. The City agreed to assume all ongoing operations and maintenance costs for the complete EOTEC facility, including the purchase of necessary equipment. The City will also pay ½ of the construction costs of the Fair Building up to \$250,000.

Many community members committed to make contributions toward the construction of EOTEC and to help repay the debt incurred for construction. Contributors were given the option to contribute in annual installments up to five years. Contributions receivable as of June 30, 2021 were \$65,000, all of which is due and expected to be collected by June 30, 2022. Management believes that the contributions will be fully collected. In addition to the amounts above, there have been informal commitments made with a remaining \$10,000 of potential contributions.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 14 – DEFERRED COMPENSATION PLAN:

The City offers its employees a deferred compensation plan created in accordance with IRC Section 457. The plan, available to all employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred, all property and rights purchased, and all income, property, or rights are, until paid or made available to the employee or other beneficiary, held in trust for the exclusive benefit of the participants and their beneficiaries. The deferred compensation investments are not included in the City's financial statements.

NOTE 15 – PENSION PLAN:

A. Plan description:

Employees of the City are provided with pensions through the Oregon Public Employees Retirement System (OPERS) a cost-sharing multiple-employer defined benefit pension plan, the Oregon Legislature has delegated authority to the Public Employees Retirement Board to administer and manage the system. All benefits of the System are established by the legislature pursuant to ORS Chapters 238 and 238A. Tier One/Tier Two Retirement Benefit plan, established by ORS Chapter 238, is closed to new members hired on or after August 29, 2003. The Pension Program, established by ORS Chapter 238A, provides benefits to members hired on or after August 29, 2003. OPERS issues a publicly available Annual Comprehensive Financial Report and Actuarial Valuation that can be obtained at:

<https://www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx>

B. Benefits provided:

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238:

Pension Benefits:

The PERS retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit. These options include survivorship benefits and lump-sum refunds. The basic benefit is based on years of service and final average salary. A percentage (2.0 percent for police and fire employees, 1.67 percent for general service employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results. Monthly payments must be a minimum of \$200 per month or the member will receive a lump-sum payment of the actuarial equivalent of benefits to which he or she is entitled.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of Final Average Salary will be limited for all members beginning in 2020. The limit will be equal to \$210,582 in 2022 and will be indexed with inflation in later years.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

B. Benefits provided (continued):

1. Tier One/Tier Two Retirement Benefit ORS Chapter 238 (continued):

Pension Benefits (continued):

A member is considered vested and will be eligible at minimum retirement age for a service retirement allowance if he or she has had a contribution in each of five calendar years or has reached at least 50 years of age before ceasing employment with a participating employer (age 45 for police and fire members). General service employees may retire after reaching age 55. Police and fire members are eligible after reaching age 50. Tier One general service employee benefits are reduced if retirement occurs prior to age 58 with fewer than 30 years of service. Police and fire member benefits are reduced if retirement occurs prior to age 55 with fewer than 25 years of service. Tier Two members are eligible for full benefits at age 60. The ORS Chapter 238 Defined Benefit Pension Plan is closed to new members hired on or after August 29, 2003.

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives a lump-sum refund of the member's account balance (accumulated contributions and interest). In addition, the beneficiary will receive a lump-sum payment from employer funds equal to the account balance, provided one or more of the following conditions are met:

- the member was employed by a PERS employer at the time of death,
- the member died within 120 days after termination of PERS-covered employment,
- the member died as a result of injury sustained while employed in a PERS-covered job, or
- the member was on an official leave of absence from a PERS-covered job at the time of death.

Disability Benefits:

A member with 10 or more years of creditable service who becomes disabled from other than duty-connected causes may receive a non-duty disability benefit. A disability resulting from a job-incurred injury or illness qualifies a member (including PERS judge members) for disability benefits regardless of the length of PERS-covered service. Upon qualifying for either a non-duty or duty disability, service time is computed to age 58 (55 for police and fire members) when determining the monthly benefit.

Benefit Changes After Retirement:

Members may choose to continue participation in a variable equities investment account after retiring and may experience annual benefit fluctuations due to changes in the market value of equity investments. Under ORS 238.360 monthly benefits are adjusted annually through cost-of-living (COLA) changes. The COLA is capped at 2.0 percent.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

B. Benefits provided (continued):

2. OPSRP Defined Benefit Pension Program (OPSRP DB):

Pension Benefits:

The Pension Program (ORS Chapter 238A) provides benefits to members hired on or after August 29, 2003. This portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated with the following formula for members who attain normal retirement age:

Police and fire: 1.8 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for police and fire members is age 60 or age 53 with 25 years of retirement credit. To be classified as a police and fire member, the individual must have been employed continuously as a police and fire member for at least five years immediately preceding retirement.

General service: 1.5 percent is multiplied by the number of years of service and the final average salary. Normal retirement age for general service members is age 65, or age 58 with 30 years of retirement credit.

Under Senate Bill 1049, passed during the 2019 legislative session, the salary included in the determination of final average salary will be limited for all members beginning in 2020. The limit will be equal to \$210,582 in 2022 and will be indexed with inflation in later years.

A member of the OPSRP Pension Program becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, and, if the pension program is terminated, the date on which termination becomes effective.

Death Benefits:

Upon the death of a non-retired member, the spouse or other person who is constitutionally required to be treated in the same manner as the spouse, receives for life 50 percent of the pension that would otherwise have been paid to the deceased member.

Disability Benefits:

A member who has accrued 10 or more years of retirement credits before the member becomes disabled or a member who becomes disabled due to job-related injury shall receive a disability benefit of 45 percent of the member's salary determined as of the last full month of employment before the disability occurred.

Benefit Changes After Retirement:

Under ORS 238A.210 monthly benefits are adjusted annually through cost-of-living changes. Under current law, the cap on COLA in fiscal year 2015 and beyond will vary based on 1.25 percent on the first \$60,000 of annual benefit and \$750 plus 0.15 percent on annual benefits above \$60,000.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

3. OPSRP Individual Account Program (OPSRP IAP):

Pension Benefits:

The IAP is an individual account-based program under PERS tax-qualified governmental plan as defined under ORS 238A.400. An IAP member becomes vested on the date the employee account is established or on the date the rollover account was established. If the employer makes optional employer contributions for a member, the member becomes vested on the earliest of the following dates: the date the member completes 600 hours of service in each of five calendar years, the date the member reaches normal retirement age, the date the IAP is terminated, the date the active member becomes disabled, or the date the active member dies.

Upon retirement, a member of the OPSRP Individual Account Program (IAP) may receive the amounts in his or her employee account, rollover account, and vested employer account as a lump-sum payment or in equal installments over a 5-, 10-, 15-, 20-year period or an anticipated life span option. Each distribution option has a \$200 minimum distribution limit.

Death Benefits:

Upon the death of a non-retired member, the beneficiary receives in a lump sum the member's account balance, rollover account balance, and vested employer optional contribution account balance. If a retired member dies before the installment payments are completed, the beneficiary may receive the remaining installment payments or choose a lump-sum payment.

Recordkeeping:

OPERS contracts with VOYA Financial to maintain IAP participant records.

C. Contributions:

Employer Contributions:

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS Defined Benefit Plan and the Other Postemployment Benefit Plans. Employer contribution rates during the period were based on the December 31, 2019 actuarial valuation. The rates based on a percentage of payroll, first became effective July 1, 2021. Effective January 1, 2020, Senate Bill 1049 required employers to pay contributions on re-employed PERS retirees' salary as if they were an active member, excluding IAP (6 percent) contributions. Employer contributions for the year ended June 30, 2022 were \$1,730,322, excluding \$1,473 to fund the retirement health insurance account (RHIA). The rates in effect for the fiscal year ended June 30, 2022, excluding the RHIA rate of .06%, were 26.85% for Tier One/Tier Two General Service Member, 21.06% for OPSRP Pension Program General Service Members, 25.42% for OPSRP Pension Program Police and Fire Members, and 6.00% for OPSRP Individual Account Program.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

C. Contributions (continued):

Employee Contributions:

Beginning January 1, 2004, all employee contributions were placed in the OPSRP Individual Account Program (IAP), a defined contribution pension plan established by the Oregon Legislature. Prior to that date, all member contributions were credited to the Defined Benefit Pension Plan. Member contributions are set by statute at 6.0 or 7.0 percent of salary and are remitted by participating employers. The contributions are either deducted from member salaries or paid by the employers on the members behalf. The IAP member accounts represent member contributions made on or after January 1, 2004, plus earnings allocations less disbursements for refunds, death benefits, and retirements. As permitted, the City has opted to pick-up the contributions on behalf of employees: contributions were \$415,454 for the year ended June 30, 2022.

Starting July 1, 2020, Senate Bill 1049 required a portion of member contributions to their IAP accounts to be redirected to the Defined Benefit fund. If the member earns more than \$2,500 per month (increased to \$3,333 per month on January 1, 2022) 0.75 percent (if OPSRP member) or 2.5 percent (if Tier One/Tier Two member) of the member's contributions that were previously contributed to the member's IAP now fund the new Employee Pension Stability Accounts (EPSA). The EPSA accounts will be used to fund the cost of future pension benefits without changing those benefits, which means reduced contributions to the member's IAP account. Members may elect to make voluntary IAP contributions equal to the amount redirected.

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

At June 30, 2022, the City reported a liability of \$8,743,718 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportionate share was 0.07306842%, compared to its proportionate share of 0.07223655% measured as of June 30, 2020.

For the year ended June 30, 2022, the City's recognized pension expense (income) of \$1,366,202. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

D. Pension Assets, Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 818,469	\$ -
Changes of assumptions	2,188,816	23,011
Net difference between projected and actual earnings on investments	-	6,472,907
Changes in proportionate share	357,711	70,719
Differences between employer contributions and employer's proportionate share of system contributions	123,191	29,845
Total (prior to post-MD contributions)	<u>3,488,187</u>	<u>6,596,482</u>
Contributions subsequent to the measurement date	1,730,322	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 5,218,509</u>	<u>\$ 6,596,482</u>

City contributions subsequent to the measurement date of \$1,730,322 are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30:</u>	
2023	\$ (456,686)
2024	(525,578)
2025	(829,501)
2026	(1,510,653)
2027	214,124
Total	<u>\$ (3,108,294)</u>

E. Actuarial Assumptions:

The employer contribution rates effective July 1, 2021, through June 30, 2023, were set using the entry age normal actuarial cost method. For the Tier One/Tier Two component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (1) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (2) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 20 years.

For the OPSRP Pension Program component of the PERS Defined Benefit Plan, this method produced an employer contribution rate consisting of (a) an amount for normal cost (the estimated amount necessary to finance benefits earned by the employees during the current service year), (b) an actuarially determined amount for funding a disability benefit component, and (c) an amount for the amortization of unfunded actuarial accrued liabilities, which are being amortized over a fixed period with new unfunded actuarial accrued liabilities being amortized over 16 years.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

E. Actuarial Assumptions (continued):

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study Report	2018, published July 24, 2019
Actuarial Assumptions:	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Long-Term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Cost of Living Adjustments (COLA)	Blend of 2.00% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> decision; blend based on service.
Mortality	Healthy retirees and beneficiaries: Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation. Disabled retirees: Pub-2010 Disabled retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The methods and assumptions shown above are based on the 2018 Experience Study which reviewed experience for the four-year period ending on December 31, 2018.

F. Long-term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table below shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

F. Long-term Expected Rate of Return (continued):

<u>Asset Class/Strategy</u>	Assumed Asset Allocation		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	27.50	37.50	32.50
Real Estate	9.50	15.50	12.50
Private Equity	14.00	21.00	17.50
Alternative Equity	7.50	17.50	15.00
Opportunity Portfolio	-	5.00	-
Risk Parity	-	2.50	2.50
Total			<u>100.00 %</u>
			Compounded Annual Return (Geometric)
<u>Asset Class</u>		<u>Target Allocation</u>	
Global Equity		30.62 %	5.85 %
Private Equity		25.50	7.71
Core Fixed Income		23.75	2.73
Real Estate		12.25	5.66
Master Limited Partnerships		0.75	5.71
Infrastructure		1.50	6.26
Commodities		0.63	3.10
Hedge Fund of Funds - Multistrategy		1.25	5.11
Hedge Fund of Equity - Hedge		0.63	5.31
Hedge Fund - Macro		5.62	5.06
US Cash		(2.50)	1.76
Total		<u>100.00 %</u>	
Assumed Inflation - Mean			2.40 %

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

G. Depletion Date Projection:

GASB 68 generally requires that a blended discount rate be used to measure the Total Pension Liability (the Actuarial Accrued Liability calculated using the Individual Entry Age Normal Cost Method). The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses. Determining the discount rate under GASB 68 will often require that the actuary perform complex projections of future benefit payments and pension plan investments. GASB 68 (paragraph 67) does allow for alternative evaluations of projected solvency, if such evaluation can reliably be made. GASB does not contemplate a specific method for making an alternative evaluation of sufficiency; it is left to professional judgment.

The following circumstances justify an alternative evaluation of sufficiency for PERS:

- PERS has a formal written policy to calculate an Actuarially Determined Contribution (ADC), which is articulated in the actuarial valuation report.
- The ADC is based on a closed, layered amortization period, which means that payment of the full ADC each year will bring the plan to a 100% funded position by the end of the amortization period if future experience follows assumption.
- GASB 68 specifies that the projections regarding future solvency assume that plan assets earn the assumed rate return and there are no future changes in the plan provisions or actuarial methods and assumptions, which means that the projections would not reflect any adverse future experience which might impact the plan's funded position.

Based on these circumstances, it is our independent actuary's opinion that the detailed depletion date projections outlined in GASB 68 would clearly indicate that the Fiduciary Net Position is always projected to be sufficient to cover benefit payments and administrative expenses.

H. Discount Rate:

The discount rate used to measure the total pension liability was 6.90 percent for the Defined Benefit Pension Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Defined Benefit Pension Plan was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

I. Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.2 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

	<u>1% Decrease</u> <u>(5.9%)</u>	<u>Discount Rate</u> <u>(6.9%)</u>	<u>1% Increase</u> <u>(7.9%)</u>
City's proportionate share of the net pension liability (asset)	\$ 17,170,570	\$ 8,743,718	\$ 1,693,501

J. Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

K. Payables to the Pension Plan:

The City reports payables in the amount of \$200,739 to the pension plan as of June 30, 2022.

L. Changes in Plan Provisions During the Measurement Period:

A legislative change that occurred after the December 31, 2019 actuarial valuation date affected the plan provision reflected for June 2021 financial reporting liability calculations. Senate Bill 111, enacted June 2021, provides an increased pre-retirement death benefit for members who die on or after their early retirement age.

For GASB 67 and GASB 68, the benefits valued in the Total Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 111 was reflected in the June 30, 2021 Total Pension Liability. The increase in the Total Pension Liability resulting from Senate Bill 111, measured as of June 30, 2021, is shown in Exhibit A as the "Effect of plan changes" during the measurement period. While Senate Bill 111 also made changes to certain aspects of the System's funding and administration, the change in the death benefit provision is the only change that affects the measured Total Pension Liability. As a result, the death benefit provision is the only difference between June 30, 2020 and June 30, 2021 in the plan provisions basis used to determine the Total Pension Liability as of those two respective Measurement Dates.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 15 – PENSION PLAN (continued):

M. Changes in Plan Provisions Subsequent to Measurement Date:

There were no changes subsequent to the June 30, 2021 measurement period that require disclosure.

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS:

The City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions in the fiscal year ended June 30, 2018. This statement addresses how state and local governments should account for and report their costs and obligations related to Other Postemployment Benefits (OPEB). This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB Measurements by Agency Employers and Agent Multiple-Employer Plans.

The scope of this Statement addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. It establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

The OPEB for the City combines two separate plans. The City provides an implicit rate subsidy for retiree Health Insurance Continuation (HIC) premiums, and a contribution to the State of Oregon's PERS cost-sharing multiple employer defined benefit plan Retirement Health Insurance Account.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):

Health Insurance Continuation:

Plan Description. The City does not have a formal post-employment benefits plan for any employee groups. However, the City is required by Oregon Revised Statutes 243.303 to provide retirees with group health insurance from the date of retirement to age 65 at the same rate provided to current employees, which is considered a single employer plan. Although the City does not pay any portion of the retirees' healthcare insurance, a retired employee receives the implicit benefit of a lower healthcare premium which is subsidized among the premium cost of coverage for active employees. GASB Statement 75 is applicable to the City for this implicit rate subsidy. This "plan" is not a stand-alone plan and therefore does not issue its own financial statements. A separate, audited GAAP-basis postemployment benefit plan report is not available for this plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of statement 75. The City had 3 retired members and 86 active members in its plan on July 1, 2020, the date of its most recent actuarial valuation.

Outline of Plan Provisions:

There are certain provisions that must be met in order for OPEB benefits to be eligible to retirees which are listed below:

- i. The retiree must be eligible to receive benefits from Oregon PERS.
- ii. Eligibility requirements for earliest retirement under Oregon PERS are:
 1. the earlier of age 55, or any age with 30 years of service for Tier 1 or Tier 2 employees and;
 2. age 55 with 5 years of service for OPSRP employees.
- iii. All classes of employee are eligible to continue medical benefit coverage upon retirement.
- iv. Qualified spouse, domestic partner, and children may qualify for coverage.
- v. Coverage for retirees and eligible dependents continues until Medical eligibility for each individual (or until dependent children become ineligible).
- vi. The retirees will contribute the full health plan premiums.
- vii. There is an implicit rate subsidy with respect to retired employees because the medical premium rates charged for coverage typically are less than they would be if the retirees were in a separately rated health plan.

Total OPEB Liability:

The City's total OPEB liability of \$788,365 was measured as of June 30, 2021 and was determined by an actuarial valuation as of July 1, 2020.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):

Actuarial Assumptions and Other Inputs:

Valuation Date	July 1, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Inflation rate	2.5 percent per year
Discount rate	2.16 percent, based on a 20-year general obligation bond yield index published by The Bond Buyer
Projected salary increases	3.5 percent per year
Health Cost Trend	Medical and vision: 2021-5.75%, 2022-5.25%, and between 4.00% and 5.00% for the subsequent 40+ years
Cost of living adjustment (COLA)	3.5 percent per year, based on general inflation and the likelihood of raises throughout participants' careers
Health mortality	Pub-2010 General and Safety Employee and Healthy Retiree tables, sex distinct for members and dependents, with a one-year setback for male general service employees and female safety employees.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2021	\$ 744,191
Changes for the year:	
Service cost	46,753
Interest	17,229
Changes in assumptions or other inputs	3,010
Benefit payments	<u>(22,818)</u>
Net changes	<u>44,174</u>
Balance at June 30, 2022	<u><u>\$ 788,365</u></u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):

Changes in the Total OPEB Liability (continued):

Sensitivity of the total OPEB liability to changes in the discount and trend rates. The following presents the total OPEB liability of the City’s, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.16 percent) or 1-percentage-point higher (3.16 percent) than the current discount rate:

	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability	\$ 852,304	\$ 788,365	\$ 727,694

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using a healthcare cost trend rates that are 1-percentage point lower or 1-percentage point higher than the current healthcare cost trend rate:

	<u>1% Decrease (1.16%)</u>	<u>Discount Rate (2.16%)</u>	<u>1% Increase (3.16%)</u>
Total OPEB liability	\$ 696,973	\$ 788,365	\$ 894,742

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2022, the City recognized OPEB expense of \$70,821. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 79,348	\$ -
Changes in assumptions or inputs	23,470	(58,362)
Total (prior to post MD contributions)	102,818	(58,362)
Contributions subsequent to the measurement date	19,171	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 121,989</u>	<u>\$ (58,362)</u>

\$19,171 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OBEP will be recognized in expense as follows:

Year ended June 30:	
2023	\$ 6,839
2024	6,839
2025	6,839
2026	6,839
2027	6,839
Thereafter	10,261
-72- Total	<u>\$ 44,456</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):

Retirement Health Insurance Account (RHIA):

As a member of Oregon Public Employees Retirement System (OPERS) the City contributes to the Retirement Health Insurance Account (RHIA) for each of its eligible employees. RHIA is a cost-sharing multiple-employer defined benefit other postemployment benefit plan administered by OPERS. RHIA pays a monthly contribution toward the cost of Medicare companion health insurance premiums of eligible retirees. Oregon Revised Statute (ORS) 238.420 established this trust fund. Authority to establish and amend the benefit provisions of RHIA reside with the Oregon Legislature. The plan is closed to new entrants after January 1, 2004. OPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, OR 97281-3700.

Because RHIA was created by enabling legislation (ORS 238.420), contribution requirements of the plan members and the participating employers were established and may be amended only by the Oregon Legislature. ORS require that an amount equal to \$60 or the total monthly cost of Medicare companion health insurance premiums coverage, whichever is less, shall be paid from the Retirement Health Insurance Account established by the employer, and any monthly cost in excess of \$60 shall be paid by the eligible retired member in the manner provided in ORS 238.410. To be eligible to receive this monthly payment toward the premium cost the member must: (1) have eight years or more of qualifying service in PERS at the time of retirement or receive a disability allowance as if the member had eight years or more of creditable service in PERS, (2) receive both Medicare Parts A and B coverage, and (3) enroll in a PERS-sponsored health plan. A surviving spouse or dependent of a deceased PERS retiree who was eligible to receive the subsidy is eligible to receive the subsidy if he or she (1) is receiving a retirement benefit or allowance from PERS or (2) was insured at the time the member died and the member retired before May 1, 1991.

Participating governments are contractually required to contribute to RHIA at a rate assessed each year by OPERS, currently 0.06% of annual covered payroll. The OPERS Board of Trustees sets the employer contribution rate based on the annual required contribution of the employers (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 75. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) of the plan over a period not to exceed thirty years. The City's contributions to RHIA for the years ended June 30, 2022, 2021 and 2020 were \$1,473, \$1,849 and \$3,154, respectively, which equaled the required contributions each year.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):

Assets, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

At June 30, 2022, the City reported an asset of \$237,279 for its proportionate share of the net OPEB asset. The net OPEB asset was measured as of June 30, 2021, and the total OPEB asset used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019 rolled forward to June 30, 2021. The City's proportion of the net OPEB asset was based on a projection of the City's long-term share of contributions to the plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City's proportionate share was 0.06909699%, compared to its proportionate share of 0.04416482% measured as of June 30, 2020.

For the year ended June 30, 2022, the City's recognized OPEB expense (income) of \$(48,514). At June 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 6,602
Changes of Assumptions	4,669	3,530
Net difference between projected and actual earnings on investments	-	56,390
Changes in proportionate share	7,173	30,574
Total (prior to post-MD contributions)	<u>11,842</u>	<u>97,096</u>
Contributions subsequent to the measurement date	1,473	-
Net Deferred Outflow/(Inflow) of Resources	<u>\$ 13,315</u>	<u>\$ 97,096</u>

\$1,473 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB asset/liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in expense as follows:

Year ended June 30:	
2023	\$ (30,602)
2024	(23,964)
2025	(12,874)
2026	<u>(17,813)</u>
Total	<u>\$ (85,253)</u>

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):

Actuarial Assumptions:

The RHIA plan is unaffected by health care cost trends since the benefit is limited to a \$60 monthly payment toward Medicare companion insurance premiums. Consequently, the disclosure of a healthcare cost trend is not applicable. Other significant actuarial assumptions are as follows:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2021
Experience Study Report	2018, published July 24, 2019
Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Inflation Rate	2.40 percent
Long-Term Expected Rate of Return	6.90 percent
Discount Rate	6.90 percent
Projected Salary Increases	3.40 percent
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Active Members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled Retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>

Long-Term Expected Rate of Return:

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in June 2021 the PERS Board reviewed long-term assumptions developed by both Milliman’s capital market assumptions team and the Oregon Investment Council’s (OIC) investment advisors. The table following shows Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC’s description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):

Long-Term Expected Rate of Return (continued):

<u>Asset Class/Strategy</u>	OIC Assumed Asset Allocation		
	<u>Low Range</u>	<u>High Range</u>	<u>Target</u>
Debt Securities	15.00 %	25.00 %	20.00 %
Public Equity	27.50	37.50	32.50
Real Estate	9.50	15.50	12.50
Private Equity	14.00	21.00	17.50
Alternative Equity	7.50	17.50	15.00
Opportunity Portfolio	-	5.00	-
Risk Parity	-	2.50	2.50
Total			<u>100.00 %</u>
			Compounded Annual Return
<u>Asset Class</u>		<u>Target Allocation</u>	<u>(Geometric)</u>
Global Equity		30.62 %	5.85 %
Private Equity		25.50	7.71
Core Fixed Income		23.75	2.73
Real Estate		12.25	5.66
Master Limited Partnerships		0.75	5.71
Infrastructure		1.50	6.26
Commodities		0.63	3.10
Hedge Fund of Funds - Multistrategy		1.25	5.11
Hedge Fund of Equity - Hedge		0.63	5.31
Hedge Fund - Macro		5.62	5.06
US Cash		(2.50)	1.76
Total		<u>100.00 %</u>	
Assumed Inflation - Mean			2.40 %

Discount rate:

The discount rate used to measure the total OPEB asset was 6.9 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB asset.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):

Depletion Date Projection:

GASB 75 generally requires that a blended discount rate be used to measure the Total OPEB asset/liability. The long-term expected return on plan investments may be used to discount liabilities to the extent that the plan's Fiduciary Net Position (fair market value of assets) is projected to cover benefit payments and administrative expenses. A 20-year high quality (AA/Aa or higher) municipal bond rate must be used for periods where the Fiduciary Net Position is not projected to cover benefit payments and administrative expenses.

Sensitivity of the City's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate:

The following presents the City's proportionate share of the net OPEB asset calculated using the discount rate of 6.9 percent, as well as what the City's proportionate share of the net OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower (5.9 percent) or 1-percentage-point higher (7.9 percent) than the current rate:

	1% Decrease (5.9%)	Discount Rate (6.9%)	1% Increase (7.9%)
Total OPEB (asset) liability	\$ (209,839)	\$ (237,279)	\$ (260,720)

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan's fiduciary net position is available in the separately issued OPERS financial report.

Changes in Plan Provisions During the Measurement Period:

There were no changes during the June 30, 2021 measurement period that require disclosure.

Changes in Plan Provisions Subsequent to Measurement Date:

We are not aware of any changes subsequent to the June 30, 2021 Measurement Date that meet this requirement and thus require a brief description under the GASB standard.

Aggregate Net OPEB Asset/Liability, Deferred Outflows/Inflows, and OPEB Expense:

The aggregate Net OPEB Asset/Liability was reported as a net liability in the financial statements. A summary of the aggregate Net OPEB Asset/Liability and Deferred Outflows/Inflows for the two plans is as follows:

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 16 – OTHER POST-EMPLOYMENT BENEFITS (continued):

Aggregate Net OPEB Asset/Liability, Deferred Outflows/Inflows, and OPEB Expense (continued):

	Net OPEB (Asset) Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB (income) Expense
Total OPEB (asset) liability	\$ 788,365	\$ 121,989	\$ 58,362	\$ 70,821
Retirement Health Insurance Account (RHIA)	(237,279)	13,315	97,096	(48,514)
Aggregate amounts related to OPEB	<u>\$ 551,086</u>	<u>\$ 135,304</u>	<u>\$ 155,458</u>	<u>\$ 22,307</u>

NOTE 17 – TAX ABATEMENT DISCLOSURES:

The City enters into property tax abatement agreements with local businesses under the Hermiston Enterprise Zone authorized by Oregon Statute 285C.175. The Hermiston Enterprise Zone is largely contiguous to Hermiston’s City limits and allows eligible (generally non-retail) businesses that expand into the area, to receive total exemption from the property taxes normally assessed on new plant and equipment for three years. For the basic three-year property tax exemption, the business needs to increase full time, permanent employment by one new job or 10%, whichever is greater; have no concurrent job losses outside of Hermiston, but inside of Oregon; and maintain the employment level during the exemption period. Some projects which meet the basic three-year exemption may also qualify for an additional one to two years of tax exemption if the total compensation of the new workers is at or above 150% of Umatilla County’s average wage and there is a written agreement with the City of Hermiston. The City’s portion of abated taxes for the 2021-2022 tax year was \$46,667.

The City entered into an Agreement for Long-Term Rural Enterprise Zone abatement on January 8, 2018 executed by Umatilla County, the City, and Lamb Weston, Inc. The agreement is conditioned upon the satisfaction of other requirements under ORS 285C.400 to 285C.420 and will be exempt from ad valorem property tax for 15 years, and shall commence on the first tax year in which the Facility is in service as of the assessment date. Lamb Weston is entitled to exemption from ad valorem property tax with respect to all qualified property owned by Lamb Weston and used in connection with the development and construction on the Facility. Lamb Weston is to comply with the minimum facility investment, minimum employment, minimum employee total compensation, and minimum employee wages statutory and administrative requirements. The total minimum facility investment is \$225 million and it is estimated that Lamb Weston would have been liable for property taxes of approximately \$35 million over the 15 year period. Lamb Weston is to pay annual payments totaling \$1,000,000 no later than June of each calendar year and continue making that payment for 15 years beginning in 2020 with final payment due June 2034 on the condition that the Facility is placed in service by December 31, 2019. The City’s \$500,000 portion of the payment includes annual fees of \$450,000 and payments to the City of Hermiston Parks and Recreation include annual fees of \$50,000 to be used for the purposes of developing and enhancing recreational programming and facilities in the greater Hermiston area.

CITY OF HERMISTON, OREGON

Notes to Basic Financial Statements

June 30, 2022

NOTE 18 – TAX ABATEMENT DISCLOSURES (continued):

The City entered into an Agreement for Long-Term Rural Enterprise Zone abatement on October 14, 2019 executed by Umatilla County, the City, and Amazon Data Services, Inc. The agreement is conditioned upon the satisfaction of other requirements under ORS 285C.409(1) and will be exempt from ad valorem property tax for 15 years, and shall commence on the first tax year in which the Facility is in service as of the assessment date. Amazon Data Services is entitled to exemption from ad valorem property tax with respect to all qualified property owned by Amazon Data Services and used in connection with the development and construction on the Facility. Amazon Data Services is to comply with the minimum facility investment, minimum employment, minimum employee total compensation, and minimum employee wages statutory and administrative requirements. The agreement requires Amazon Data Services to invest a minimum facility investment of \$220 million and to provide employee compensation greater than 130 percent of the Umatilla County average wage, and pay the required fees to the zone over the term of the agreement.

NOTE 19 – PRIOR PERIOD ADJUSTMENT:

The City has a prior period adjustment due to the implementation of GASB 87 required in the reporting year. GASB 87 requires operating leases to be shown as liabilities in the Statement of Net Position as well as calculating the value of the leased assets and reporting them as other assets on the Statement of Net Position. The difference between lease assets and lease liabilities at the beginning of the reporting period is summarized below.

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Balances as of July 1, 2021			
Lease assets	\$ 470,734	\$ 138,045	\$ 608,779
Lease liabilities	(504,309)	(150,668)	(654,977)
Prior period adjustment	<u>\$ (33,575)</u>	<u>\$ (12,623)</u>	<u>\$ (46,198)</u>

The City has a prior period adjustment due deferred amounts on refunding not being amortized over the life of the electric system revenue refunding bonds. The prior periods' unamortized amount is \$28,606.

Calculation of Prior Period Adjustment:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Beginning net position July 1, 2021	\$ 29,311,151	\$ 37,107,968	\$ 66,419,119
Prior period adjustment - GASB 87 implementation	(33,575)	(12,623)	(46,198)
Prior period adjustment - Deferred refunding amortization	-	(28,606)	(28,606)
Beginning net position July 1, 2021, restated	<u>\$ 29,277,576</u>	<u>\$ 37,066,739</u>	<u>\$ 66,344,315</u>

NOTE 20 – SUBSEQUENT EVENTS:

Management evaluated all activity of the City through the issue date of the Financial Statements and concluded that no other subsequent events have occurred that would require recognition in the Financial Statements or disclosure in the Notes to the Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HERMISTON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND**

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Property taxes	\$ 6,481,900	\$ 6,481,900	\$ 6,658,211	\$ 176,311
Franchise fees	1,303,870	1,303,870	764,008	(539,862)
Licenses and fees	5,300	5,300	5,910	610
Charges for services	1,838,000	1,944,000	3,097,483	1,153,483
Intergovernmental	2,612,500	2,692,500	2,802,015	109,515
Fines and forfeitures	200,000	200,000	392,013	192,013
Rental income	50,000	50,000	59,362	9,362
Investment earnings (losses)	15,000	15,000	(50,798)	(65,798)
Miscellaneous	105,000	105,000	197,288	92,288
Total revenues	<u>12,611,570</u>	<u>12,797,570</u>	<u>13,925,492</u>	<u>1,127,922</u>
<u>EXPENDITURES:</u>				
Current:				
General government	4,835,949	5,229,949	4,328,715	901,234
Public safety	6,525,827	6,525,827	6,119,859	405,968
Culture and recreation	3,341,158	3,649,658	3,258,349	391,309
Capital outlay	212,000	212,000	95,243	116,757
Debt service	459,625	459,625	459,625	-
Contingency	177,635	19,635	-	19,635
Total expenditures	<u>15,552,194</u>	<u>16,096,694</u>	<u>14,261,791</u>	<u>1,834,903</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>				
	<u>(2,940,624)</u>	<u>(3,299,124)</u>	<u>(336,299)</u>	<u>2,962,825</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	3,279,730	3,279,730	2,527,128	(752,602)
Transfers out	(805,019)	(855,019)	(908,459)	(53,440)
Total other financing sources (uses)	<u>2,474,711</u>	<u>2,424,711</u>	<u>1,618,669</u>	<u>(806,042)</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>(465,913)</u>	<u>(874,413)</u>	<u>1,282,370</u>	<u>2,156,783</u>
<u>FUND BALANCE, BEGINNING</u>	<u>465,913</u>	<u>874,413</u>	<u>946,056</u>	<u>71,643</u>
<u>FUND BALANCE, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,228,426</u>	<u>\$ 2,228,426</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL
STATE STREET TAX FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Intergovernmental	\$ 1,525,035	\$ 1,525,035	\$ 1,824,178	\$ 299,143
Miscellaneous	-	-	43,277	43,277
Total revenues	<u>1,525,035</u>	<u>1,525,035</u>	<u>1,867,455</u>	<u>342,420</u>
<u>EXPENDITURES:</u>				
Current:				
Highways and streets:				
Personnel services	620,544	620,544	585,604	34,940
Materials and services	658,650	658,650	551,249	107,401
Capital outlay	125,000	125,000	1,225	123,775
Contingency	50,000	50,000	-	50,000
Total expenditures	<u>1,454,194</u>	<u>1,454,194</u>	<u>1,138,078</u>	<u>316,116</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>70,841</u>	<u>70,841</u>	<u>729,377</u>	<u>658,536</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	39,453	39,453	39,453	-
Transfers out	(496,280)	(496,280)	(496,280)	-
Total other financing sources (uses)	<u>(456,827)</u>	<u>(456,827)</u>	<u>(456,827)</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(385,986)</u>	<u>(385,986)</u>	<u>272,550</u>	<u>658,536</u>
<u>FUND BALANCE, BEGINNING</u>	<u>385,986</u>	<u>385,986</u>	<u>91,700</u>	<u>(294,286)</u>
<u>FUND BALANCE, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 364,250</u>	<u>\$ 364,250</u>

CITY OF HERMISTON, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
For The Last Ten Fiscal Years

Measurement Date June 30,	(a) City's Proportion of the net pension liability (asset)	(b) City's proportionate share of the net pension Liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the net Pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2021	0.07306842%	\$ 8,743,718	\$ 7,186,891	121.66%	87.60%
2020	0.07223655%	\$ 15,764,500	\$ 7,185,824	219.38%	75.80%
2019	0.07059840%	\$ 12,221,832	\$ 6,744,156	181.22%	80.20%
2018	0.06886307%	\$ 10,431,848	\$ 6,216,869	167.80%	82.07%
2017	0.07185807%	\$ 9,686,495	\$ 5,934,290	163.23%	83.12%
2016	0.07036251%	\$ 10,563,046	\$ 5,707,346	185.08%	80.50%
2015	0.08383593%	\$ 4,813,407	\$ 5,445,278	88.40%	91.90%
2014	0.07543283%	\$ (1,709,847)	\$ 5,439,542	-31.43%	103.60%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF HERMISTON, OREGON
SCHEDULE OF CONTRIBUTIONS
OREGON PUBLIC EMPLOYEES RETIREMENT SYSTEM
For The Last Ten Fiscal Years

Year Ended June 30,	(a) Statutorily required contribution	(b) Contributions in relation to the statutorily required contribution	(a-b) Contribution deficiency (excess)	(c) City's covered payroll	(b/c) Contributions as a percent of covered payroll
2022	\$ 1,730,322	\$ 1,730,322	\$ -	\$ 7,693,835	22.49%
2021	\$ 1,631,222	\$ 1,631,222	\$ -	\$ 7,186,891	22.70%
2020	\$ 1,684,570	\$ 1,684,570	\$ -	\$ 7,185,824	23.44%
2019	\$ 1,160,723	\$ 1,160,723	\$ -	\$ 6,744,156	17.21%
2018	\$ 1,165,176	\$ 1,165,176	\$ -	\$ 6,216,869	18.74%
2017	\$ 830,708	\$ 830,708	\$ -	\$ 5,934,290	14.00%
2016	\$ 836,292	\$ 836,292	\$ -	\$ 5,707,346	14.65%
2015	\$ 733,439	\$ 733,439	\$ -	\$ 5,445,278	13.47%
2014	\$ 764,158	\$ 764,158	\$ -	\$ 5,439,542	14.05%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF HERMISTON, OREGON
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET)
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT
For The Last Ten Fiscal Years

Measurement Date June 30,	(a) City's proportion of the net OPEB pension liability (asset)	(b) City's proportionate share of the net OPEB pension liability (asset)	(c) City's covered payroll	(b/c) City's proportionate share of the OPEB pension liability (asset) as a percentage of its covered payroll	City's plan net position as a percentage of the total OPEB liability
2021	0.06909699%	\$ (237,279)	\$ 7,186,891	-3.30%	183.90%
2020	0.04416482%	\$ (89,990)	\$ 7,185,824	-1.25%	150.10%
2019	0.05892840%	\$ (113,871)	\$ 6,744,156	-1.69%	144.40%
2018	0.06056140%	\$ (67,603)	\$ 6,216,869	-1.09%	124.00%
2017	0.05700055%	\$ (23,789)	\$ 5,934,290	-0.40%	108.88%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF HERMISTON, OREGON
SCHEDULE OF CONTRIBUTIONS
OPERS RETIREMENT HEALTH INSURANCE ACCOUNT
For The Last Ten Fiscal Years

Year Ended June 30,	Contractually required contributions	City's contributions in relation to the contractually required contribution	City's contribution deficiency (excess)	City's covered payroll	City's contribution as a percentage of covered employee payroll
2022	\$ 1,473	\$ 1,473	\$ -	\$ 7,693,835	0.02%
2021	\$ 1,849	\$ 1,849	\$ -	\$ 7,186,891	0.03%
2020	\$ 3,154	\$ 3,154	\$ -	\$ 7,185,824	0.04%
2019	\$ 29,206	\$ 29,206	\$ -	\$ 6,744,156	0.43%
2018	\$ 29,324	\$ 29,324	\$ -	\$ 6,216,869	0.47%
2017	\$ 27,290	\$ 27,290	\$ -	\$ 5,934,290	0.46%

The amounts presented for each fiscal year were actuarial determined at December 31 and rolled forward to the measurement date.

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF HERMISTON, OREGON
SCHEDULE OF CHANGES IN THE CITY'S OPEB LIABILITY AND RELATED RATIOS
For The Last Ten Fiscal Years

<u>Year Ended June 30,</u>	<u>Service cost</u>	<u>Interest</u>	<u>Economic/ demographic gains or losses</u>	<u>Changes of assumptions</u>	<u>Benefit payments</u>	<u>City's Net change in total OPEB liability</u>	<u>City's total OPEB liability Beginning</u>	<u>City's total OPEB liability Ending</u>	<u>City's covered employee payroll</u>	<u>City's total OPEB liability as a percentage of payroll</u>
2022	\$ 46,753	17,229	-	3,010	(22,818)	44,174	744,191	\$ 788,365	\$ 7,693,835	10.25%
2021	\$ 38,293	24,846	19,803	8,199	(36,741)	54,400	689,791	\$ 744,191	\$ 7,186,891	10.35%
2020	\$ 34,104	25,510	-	21,117	(31,719)	49,012	640,779	\$ 689,791	\$ 7,180,432	9.61%
2019	\$ 36,601	20,812	109,975	(63,385)	(15,816)	88,187	552,592	\$ 640,779	\$ 6,755,264	9.49%
2018	\$ 39,167	16,696	-	(40,489)	(18,718)	(3,344)	-	\$ 552,592	\$ 6,269,331	8.81%
2017	\$ -	-	-	-	-	-	-	\$ 555,936	\$ 5,940,029	9.36%

This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend has been compiled, information is presented only for the years for which the required supplementary information is available.

CITY OF HERMISTON, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Stewardship, Compliance, and Accountability:

On or before June 30 of each year, the City enacts a resolution approving the budget, appropriating the expenditures, and levying the property taxes. The resolution authorizing appropriations for each fund sets the legal level of control by which expenditures cannot legally exceed appropriations. Total expenditures by department as established by the resolution are the legal level of control for the General Fund and Utility Fund. Expenditure categories of personnel services, materials and services, capital outlay, debt service transfers, and contingency are the legal level of control for all other funds. The detail budget document, however, is required to contain more specific information for the above mentioned expenditure categories. Unexpected additional resources may be added to the budget through the use of a supplemental budget. A supplemental budget requires hearings before the public, publications in newspapers, and adoption by the City Council. Management may modify original and supplemental budgets by the use of appropriation transfers between the legal levels of control within a fund. Such transfers require approval by the City Council. Management may not amend the budget without seeking the approval of the Council. The City had one supplemental budget during the year-ended June 30, 2022. Appropriations lapse as of year-end.

Changes in fund balance are the same in both the budgetary basis statements and in the governmental fund statements because the City's budget is presented on the modified accrual basis of accounting, which is the same basis as GAAP. Presentation differences include the following:

- Payment in lieu of taxes totaling \$710,124 from the Energy Services Fund to the General Fund are reported as revenues in the budgetary statements but as transfers for GAAP.
- Payments for proprietary fund capital purchases made by the Reserve Fund totaling \$2,083,259 are reported as expenditures in the budgetary statements but as transfers for GAAP.
- Payments to the General Fund for administrative overhead reimbursement were made by the Street Fund, Energy Fund, Utility Fund and Regional Water Fund totalling \$156,780, \$157,800, \$557,700, and \$56,400, respectively. Payments are reported as transfers in the budgetary statements but as expenditures/expenses with a reduction of General Fund expenditures for GAAP in the fund financial statements.
- Payments for debt service were made by the Utility Fund in the amount of \$377,484. The Enterprise Zone Fund made transfers to the Utility Fund totaling \$377,500. A transfer and payment for debt service are reported in the budgetary statements. Since the debt is governmental, the payment of \$377,484 will be reported as a debt service expenditure in the fund financial statements.
- The Revolving Loan Fund is accounted for separately internally, but is combined within the General Fund for GAAP.

CITY OF HERMISTON, OREGON
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2022

Stewardship, Compliance, and Accountability (continued):

Expenditures in the following funds exceeded appropriations for the year ended June 30, 2022:

<u>Fund</u>	<u>Organizational Unit</u>	<u>Amount of Over Expenditure</u>
General Fund	Transfers out	\$ 53,440
Miscellaneous Special Revenue Fund	Transfers out	918
Library Reserve Fund	Materials and services	3,275
Hermiston Urban Renewal Agency Fund	Materials and services	84,610
EOTEC Operations Fund	Personnel services	39,037
EOTEC Operations Fund	Materials and services	56,029
City Hall Construction Fund	Capital outlay	117,081
Energy Services Fund	Capital outlay	64,153

Changes in Benefit Terms

There were no significant changes in benefit terms in the current period related to the net pension obligation.

The City's health insurance continuation OPEB liability calculation uses a 20-year tax-exempt municipal bond yield or index rate for the discount rate. The discount rate in effect for the June 30, 2022 reporting date is 2.16%.

Changes of Assumptions

There were no significant changes in assumptions in the current period related to the net pension obligation.

SUPPLEMENTAL INFORMATION

Non-Major Governmental Funds
June 30, 2022

Special Revenue Funds – These funds account for revenue derived from specific taxes or other earmarked revenue sources, which are restricted to expenditures for specified purposes.

- **Transient Room Tax Fund** – This fund accounts for revenues collected from the City’s transient room tax.
- **Municipal Court Fund** – This fund accounts for bail and fines received and refunds paid.
- **Miscellaneous Special Revenue Fund** – This fund accounts for CIS wellness grant and certain pass-through payments related to payroll and surcharges due to the state.
- **Christmas Express Fund** – This fund accounts for donated monies that are restricted to expenditures for the law enforcement Christmas Express program.
- **Law Enforcement Fund** – This fund accounts for amounts constrained for law enforcement and related purposes.
- **Library Reserve Fund** – This fund accounts for amounts constrained for library operations and improvements.
- **Enterprise Zone Project Fund** – This fund accounts for fee revenue received through multi-year GHEZ (Greater Hermiston Enterprise Zone) agreements with businesses locating in the GHEZ. This fund allows for the accumulation of resources to accomplish the economic and community development goals of the Sponsors.
- **Hermiston Urban Renewal Agency** – This fund accounts for amounts constrained for the Urban Renewal Agency.
- **EOTEC Operations Fund** – This fund accounts for the revenues and expenditures related to operating the Eastern Oregon Trade and Events Center.

Capital Projects Funds – These funds account for the acquisition and construction of capital facilities.

- **2017 FF&C HURA Fund** – This fund accounts for bond proceeds to be used for Urban Renewal projects.
- **Local Improvement District Fund** – This fund accounts for revenue and expenditures for the development of a Local Improvement District (LID) in the South Hermiston Industrial Park (SHIP).

Debt Service Fund – This fund account for revenues and expenditures related to the servicing of general long-term debt.

- **Bonded Debt Fund** – This fund accounts for revenues and expenditures related to the servicing on general long-term debt.

CITY OF HERMISTON, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2022

	Transient Room Tax Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Christmas Express Fund	Law Enforcement Fund	Library Reserve Fund	Enterprise Zone Project Fund
<u>ASSETS:</u>							
Cash and investments	\$ -	\$ 2,830	\$ 212,016	\$ 46,059	\$ 107,732	\$ 24,584	\$ 1,244,571
Receivables (net of allowances for uncollectible):							
Property taxes	-	-	-	-	-	-	-
Intergovernmental and other	315,834	63,606	-	-	-	-	-
Total assets	<u>\$ 315,834</u>	<u>\$ 66,436</u>	<u>\$ 212,016</u>	<u>\$ 46,059</u>	<u>\$ 107,732</u>	<u>\$ 24,584</u>	<u>\$ 1,244,571</u>
<u>LIABILITIES AND FUND BALANCES</u>							
<u>LIABILITIES:</u>							
Accounts payable and accrued liabilities	\$ 9,912	\$ 897	\$ 225,297	\$ -	\$ 1,650	\$ 205	\$ -
Retainage payable	-	-	-	-	-	-	-
Customer Deposits	-	-	-	-	47,555	-	-
Advances from other funds	122,622	-	-	-	-	-	-
Total liabilities	<u>132,534</u>	<u>897</u>	<u>225,297</u>	<u>-</u>	<u>49,205</u>	<u>205</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>							
Unavailable revenue	-	63,606	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>63,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES:</u>							
Restricted	183,300	-	-	46,059	-	13,776	1,244,571
Committed	-	1,933	-	-	58,527	10,603	-
Unassigned	-	-	(13,281)	-	-	-	-
Total fund balances	<u>183,300</u>	<u>1,933</u>	<u>(13,281)</u>	<u>46,059</u>	<u>58,527</u>	<u>24,379</u>	<u>1,244,571</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 315,834</u>	<u>\$ 66,436</u>	<u>\$ 212,016</u>	<u>\$ 46,059</u>	<u>\$ 107,732</u>	<u>\$ 24,584</u>	<u>\$ 1,244,571</u>

See auditors' report.

CITY OF HERMISTON, OREGON
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (Continued)

June 30, 2022

	Hermiston Urban Renewal Agency Fund	EOTEC Operations Fund	2017 FF&C HURA Fund	Local Improvement District Fund	Bonded Debt Fund	Totals
<u>ASSETS:</u>						
Cash and investments	\$ 493,253	\$ -	\$ 24,340	\$ -	\$ 98,678	\$ 2,254,063
Receivables (net of allowances for uncollectible):						
Property taxes	7,829	-	-	-	10,977	18,806
Intergovernmental and other	-	25,987	-	997,734	-	1,403,161
Total assets	<u>\$ 501,082</u>	<u>\$ 25,987</u>	<u>\$ 24,340</u>	<u>\$ 997,734</u>	<u>\$ 109,655</u>	<u>\$ 3,676,030</u>
<u>LIABILITIES AND FUND BALANCES</u>						
<u>LIABILITIES:</u>						
Accounts payable and accrued liabilities	\$ -	\$ 34,071	\$ -	\$ -	\$ -	\$ 272,032
Retainage payable	17,000	-	-	-	-	17,000
Customer Deposits	-	24,120	-	-	-	71,675
Advances from other funds	320,156	53,243	-	1,745,540	-	2,241,561
Total liabilities	<u>337,156</u>	<u>111,434</u>	<u>-</u>	<u>1,745,540</u>	<u>-</u>	<u>2,602,268</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>						
Unavailable revenue	6,051	3,070	-	997,734	8,479	1,078,940
Total deferred inflows of resources	<u>6,051</u>	<u>3,070</u>	<u>-</u>	<u>997,734</u>	<u>8,479</u>	<u>1,078,940</u>
<u>FUND BALANCES:</u>						
Restricted	157,875	-	24,340	-	101,176	1,771,097
Committed	-	-	-	-	-	71,063
Unassigned	-	(88,517)	-	(1,745,540)	-	(1,847,338)
Total fund balances	<u>157,875</u>	<u>(88,517)</u>	<u>24,340</u>	<u>(1,745,540)</u>	<u>101,176</u>	<u>(5,178)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 501,082</u>	<u>\$ 25,987</u>	<u>\$ 24,340</u>	<u>\$ 997,734</u>	<u>\$ 109,655</u>	<u>\$ 3,676,030</u>

See auditors' report.

CITY OF HERMISTON, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2022

	Transient Room Tax Fund	Municipal Court Fund	Miscellaneous Special Revenue Fund	Christmas Express Fund	Law Enforcement Fund	Library Reserve Fund	Enterprise Zone Project Fund
<u>REVENUES:</u>							
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payments in lieu of taxes	-	-	-	-	-	-	950,000
Transient room tax	1,128,274	-	-	-	-	-	-
Charges for services	-	-	54,279	-	-	-	-
Intergovernmental	-	-	-	-	16,819	6,201	-
Fines and forfeitures	-	-	12,320	-	-	-	-
Contributions	-	-	-	25,151	-	2,195	-
Investment earnings	-	-	-	-	-	-	13
Miscellaneous	-	-	-	-	-	-	-
Total revenues	<u>1,128,274</u>	<u>-</u>	<u>66,599</u>	<u>25,151</u>	<u>16,819</u>	<u>8,396</u>	<u>950,013</u>
<u>EXPENDITURES:</u>							
Current:							
General government	-	-	165,909	-	-	-	-
Public safety	-	-	-	19,129	37,944	-	-
Culture and recreation	-	-	-	-	-	6,122	-
Economic development	83,168	-	-	-	-	-	-
Debt service	146,500	-	-	-	-	-	377,484
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>229,668</u>	<u>-</u>	<u>165,909</u>	<u>19,129</u>	<u>37,944</u>	<u>6,122</u>	<u>377,484</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>898,606</u>	<u>-</u>	<u>(99,310)</u>	<u>6,022</u>	<u>(21,125)</u>	<u>2,274</u>	<u>572,529</u>
<u>OTHER FINANCING SOURCES (USES):</u>							
Transfers in	-	-	-	-	3,705	-	-
Transfers out	(844,565)	-	(47,918)	-	-	-	(509,641)
Total other financing sources (uses)	<u>(844,565)</u>	<u>-</u>	<u>(47,918)</u>	<u>-</u>	<u>3,705</u>	<u>-</u>	<u>(509,641)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>54,041</u>	<u>-</u>	<u>(147,228)</u>	<u>6,022</u>	<u>(17,420)</u>	<u>2,274</u>	<u>62,888</u>
<u>FUND BALANCES, BEGINNING</u>	<u>129,259</u>	<u>1,933</u>	<u>133,947</u>	<u>40,037</u>	<u>75,947</u>	<u>22,105</u>	<u>1,181,683</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ 183,300</u>	<u>\$ 1,933</u>	<u>\$ (13,281)</u>	<u>\$ 46,059</u>	<u>\$ 58,527</u>	<u>\$ 24,379</u>	<u>\$ 1,244,571</u>

See auditors' report.

CITY OF HERMISTON, OREGON
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS (Continued)
For the Fiscal Year Ended June 30, 2022

	Hermiston Urban Renewal Agency Fund	EOTEC Operations Fund	2017 FF&C HURA Fund	Local Improvement District Fund	Bonded Debt Fund	Totals
<u>REVENUES:</u>						
Property taxes	\$ 251,891	\$ -	\$ -	\$ -	\$ 310,021	\$ 561,912
Payments in lieu of taxes	-	-	-	-	-	950,000
Transient room tax	-	-	-	-	-	1,128,274
Charges for services	-	375,936	-	-	-	430,215
Intergovernmental	-	75,000	-	-	-	98,020
Fines and forfeitures	-	-	-	-	-	12,320
Contributions	-	15,000	-	-	-	42,346
Investment earnings	-	-	-	-	-	13
Miscellaneous	-	-	-	238,497	-	238,497
Total revenues	<u>251,891</u>	<u>465,936</u>	<u>-</u>	<u>238,497</u>	<u>310,021</u>	<u>3,461,597</u>
<u>EXPENDITURES:</u>						
Current:						
General government	-	-	-	-	-	165,909
Public safety	-	-	-	-	-	57,073
Culture and recreation	122,629	722,859	-	-	-	851,610
Economic development	-	-	-	-	-	83,168
Debt service	99,362	-	-	-	533,105	1,156,451
Capital outlay	89,481	-	-	1,854,695	-	1,944,176
Total expenditures	<u>311,472</u>	<u>722,859</u>	<u>-</u>	<u>1,854,695</u>	<u>533,105</u>	<u>4,258,387</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(59,581)</u>	<u>(256,923)</u>	<u>-</u>	<u>(1,616,198)</u>	<u>(223,084)</u>	<u>(796,790)</u>
<u>OTHER FINANCING SOURCES (USES):</u>						
Loan proceeds	-	-	-	60,266	-	60,266
Transfers in	-	125,956	-	50,000	208,819	388,480
Transfers out	-	-	-	(585,000)	-	(1,987,124)
Total other financing sources (uses)	<u>-</u>	<u>125,956</u>	<u>-</u>	<u>(474,734)</u>	<u>208,819</u>	<u>(1,538,378)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(59,581)</u>	<u>(130,967)</u>	<u>-</u>	<u>(2,090,932)</u>	<u>(14,265)</u>	<u>(2,335,168)</u>
<u>FUND BALANCES, BEGINNING</u>	<u>217,456</u>	<u>42,450</u>	<u>24,340</u>	<u>345,392</u>	<u>115,441</u>	<u>2,329,990</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ 157,875</u>	<u>\$ (88,517)</u>	<u>\$ 24,340</u>	<u>\$ (1,745,540)</u>	<u>\$ 101,176</u>	<u>\$ (5,178)</u>

See auditors' report.

CITY OF HERMISTON, OREGON

Combined General Fund

June 30, 2022

General

The General Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. Principal sources of revenue are property taxes, franchise fees, and state and county shared revenues. Expenditures are primarily for general government operations, culture and recreation, and public safety.

Revolving Loan

The Revolving Loan Fund holds residual funds from the City's revolving loan program.

CITY OF HERMISTON, OREGON

BALANCE SHEET
COMBINED GENERAL FUND
June 30, 2022

	General Fund	Revolving Loan Fund	Combined General Fund
<u>ASSETS:</u>			
Cash and cash equivalents	\$ 1,094,224	\$ 24,553	\$ 1,118,777
Investments	1,539,066	-	1,539,066
Receivables (net of allowances for uncollectible):			
Property taxes	224,079	-	224,079
Intergovernmental	324,014	-	324,014
Advances to other funds	1,819	-	1,819
Total assets	<u>\$ 3,183,202</u>	<u>\$ 24,553</u>	<u>\$ 3,207,755</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>LIABILITIES:</u>			
Accounts payable and accrued liabilities	\$ 769,042	\$ -	\$ 769,042
Deposits	12,063	-	12,063
Total liabilities	<u>781,105</u>	<u>-</u>	<u>781,105</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Unavailable revenue	173,671	-	173,671
Total deferred inflows of resources	<u>173,671</u>	<u>-</u>	<u>173,671</u>
<u>FUND BALANCES:</u>			
Nonspendable	1,819	-	1,819
Restricted	-	-	-
Unassigned	2,226,607	24,553	2,251,160
Total fund balances	<u>2,228,426</u>	<u>24,553</u>	<u>2,252,979</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,183,202</u>	<u>\$ 24,553</u>	<u>\$ 3,207,755</u>

CITY OF HERMISTON, OREGON
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
COMBINED GENERAL FUND
For the Fiscal Year Ended June 30, 2022

	General Fund	Revolving Loan Fund	Combined General Fund
<u>REVENUES:</u>			
Property taxes	\$ 6,658,211	\$ -	\$ 6,658,211
Franchise fees	764,008	-	764,008
Licenses and fees	5,910	-	5,910
Charges for services	2,387,359	-	2,387,359
Intergovernmental	2,802,015	-	2,802,015
Fines and forfeitures	392,013	-	392,013
Rental income	59,362	-	59,362
Investment earnings (losses)	(50,798)	-	(50,798)
Miscellaneous	197,288	-	197,288
Total revenues	<u>13,215,368</u>	<u>-</u>	<u>13,215,368</u>
<u>EXPENDITURES:</u>			
Current:			
General government	3,407,184	-	3,407,184
Public safety	6,176,060	-	6,176,060
Culture and recreation	3,270,281	-	3,270,281
Capital outlay	10,083	-	10,083
Debt service	469,503	-	469,503
Total expenditures	<u>13,333,111</u>	<u>-</u>	<u>13,333,111</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(117,743)</u>	<u>-</u>	<u>(117,743)</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Transfers in	2,308,572	-	2,308,572
Transfers out	(908,459)	-	(908,459)
Total other financing sources (uses)	<u>1,400,113</u>	<u>-</u>	<u>1,400,113</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>1,282,370</u>	<u>-</u>	<u>1,282,370</u>
<u>FUND BALANCES, BEGINNING</u>	<u>946,056</u>	<u>24,553</u>	<u>970,609</u>
<u>FUND BALANCES, ENDING</u>	<u>\$ 2,228,426</u>	<u>\$ 24,553</u>	<u>\$ 2,252,979</u>

CITY OF HERMISTON, OREGON

Budgetary Comparison Schedules

June 30, 2022

Oregon Revised Statute 297.465, Oregon Administrative Rule #162-010-0130, and Minimum Standards for Audits of Oregon Municipal Corporations, require an individual schedule of revenues, expenditures/expenses, and changes in fund balances/net position, budget and actual be displayed for each fund where legally adopted budgets are required.

In accordance with accounting standards, the City's General Fund and any major special revenue fund are presented as required supplemental information. All other budgetary comparisons are displayed in the following pages as supplemental information.

CITY OF HERMISTON, OREGON
SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL, BY DEPARTMENT
GENERAL FUND
For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES:</u>				
City Council	\$ 65,599	\$ 65,599	\$ 40,769	\$ 24,830
Manager/Planning	1,192,109	1,192,109	1,147,916	44,193
Finance	642,502	642,502	617,637	24,865
Legal Counsel	140,450	298,450	213,461	84,989
Court	753,538	753,538	541,135	212,403
Transportation	362,000	362,000	302,029	59,971
Airport	329,500	329,500	258,686	70,814
Building Inspections	592,378	618,378	461,059	157,319
Parks	692,811	756,811	754,185	2,626
Parks/Utility Landscaping	61,002	61,002	44,217	16,785
Municipal Pool	591,328	608,328	563,723	44,605
Municipal Buildings	142,436	142,436	138,962	3,474
Library	963,386	963,386	864,376	99,010
Recreation	749,304	976,804	808,562	168,242
Public Safety Center	68,000	68,000	60,592	7,408
Police Operations	5,887,789	5,887,789	5,574,333	313,456
Community Center	257,569	257,569	196,453	61,116
Harkenrider Center	63,258	63,258	58,726	4,532
Non-Departmental	1,819,600	2,029,600	1,614,970	414,630
Transfers Out	805,019	855,019	908,459	(53,440)
Contingency	177,635	19,635	-	19,635
	<u>\$ 16,357,213</u>	<u>\$ 16,951,713</u>	<u>\$ 15,170,250</u>	<u>\$ 1,781,463</u>
Total expenditures	<u>\$ 16,357,213</u>	<u>\$ 16,951,713</u>	<u>\$ 15,170,250</u>	<u>\$ 1,781,463</u>

Budgetary Comparison Schedules
Governmental Funds
June 30, 2022

Governmental Budgetary Comparison schedules included the following:

- **Special Revenue Funds**
 - Transient Room Tax
 - Miscellaneous Special Revenue
 - Christmas Express
 - Law Enforcement
 - Library Reserve
 - Enterprise Zone Project
 - Hermiston Urban Renewal Agency
 - EOTEC Operations

- **Capital Project Funds**
 - City Hall Construction
 - Reserve
 - Local Improvement District

- **Debt Service Fund**
 - Bonded Debt

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

TRANSIENT ROOM TAX FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Transient room taxes	<u>\$ 880,000</u>	<u>\$ 880,000</u>	<u>\$ 1,128,274</u>	<u>\$ 248,274</u>
<u>EXPENDITURES:</u>				
Current:				
Economic development:				
Materials and services	128,730	128,730	83,168	45,562
Debt service	146,500	146,500	146,500	-
Total expenditures	<u>275,230</u>	<u>275,230</u>	<u>229,668</u>	<u>45,562</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	604,770	604,770	898,606	293,836
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers out	<u>(628,000)</u>	<u>(678,000)</u>	<u>(844,565)</u>	<u>(166,565)</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(23,230)</u>	<u>(73,230)</u>	<u>54,041</u>	<u>127,271</u>
<u>FUND BALANCE, BEGINNING</u>	<u>23,230</u>	<u>73,230</u>	<u>129,259</u>	<u>56,029</u>
<u>FUND BALANCE, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 183,300</u>	<u>\$ 183,300</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

MISCELLANEOUS SPECIAL REVENUE FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Charges for services	\$ 32,000	\$ 32,000	\$ 54,279	\$ 22,279
Fines and forfeitures	164,000	164,000	12,320	(151,680)
Investment earnings	400	400	-	(400)
Total revenues	<u>196,400</u>	<u>196,400</u>	<u>66,599</u>	<u>(129,801)</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Materials and services	<u>226,000</u>	<u>226,000</u>	<u>165,909</u>	<u>60,091</u>
Total expenditures	<u>226,000</u>	<u>226,000</u>	<u>165,909</u>	<u>60,091</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	(29,600)	(29,600)	(99,310)	(69,710)
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers out	<u>(47,000)</u>	<u>(47,000)</u>	<u>(47,918)</u>	<u>(918)</u>
<u>NET CHANGE IN FUND BALANCES</u>	(76,600)	(76,600)	(147,228)	(70,628)
<u>FUND BALANCE, BEGINNING</u>	<u>76,600</u>	<u>76,600</u>	<u>133,947</u>	<u>57,347</u>
<u>FUND BALANCE (DEFICIT), ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (13,281)</u>	<u>\$ (13,281)</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

CHRISTMAS EXPRESS FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Contributions	<u>\$ 15,000</u>	<u>\$ 15,000</u>	<u>\$ 25,151</u>	<u>\$ 10,151</u>
<u>EXPENDITURES:</u>				
Current:				
Public safety:				
Materials and services	<u>40,037</u>	<u>40,037</u>	<u>19,129</u>	<u>20,908</u>
Total expenditures	<u>40,037</u>	<u>40,037</u>	<u>19,129</u>	<u>20,908</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(25,037)</u>	<u>(25,037)</u>	<u>6,022</u>	<u>31,059</u>
<u>FUND BALANCE, BEGINNING</u>	<u>30,037</u>	<u>30,037</u>	<u>40,037</u>	<u>10,000</u>
<u>FUND BALANCE, ENDING</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 46,059</u>	<u>\$ 41,059</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

LAW ENFORCEMENT FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Intergovernmental	\$ 30,125	\$ 30,125	\$ 16,819	\$ (13,306)
<u>EXPENDITURES:</u>				
Current:				
Public safety:				
Personnel services	10,000	10,000	-	10,000
Materials and services	48,125	48,125	37,944	10,181
Contingency	20,993	20,993	-	20,993
Total expenditures	79,118	79,118	37,944	41,174
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	(48,993)	(48,993)	(21,125)	27,868
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	3,000	3,000	3,705	705
<u>NET CHANGE IN FUND BALANCES</u>	(45,993)	(45,993)	(17,420)	28,573
<u>FUND BALANCE, BEGINNING</u>	69,993	69,993	75,947	5,954
<u>FUND BALANCE, ENDING</u>	\$ 24,000	\$ 24,000	\$ 58,527	\$ 34,527

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL
LIBRARY RESERVE FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Intergovernmental	\$ 24,300	\$ 24,300	\$ 6,201	\$ (18,099)
Contributions	1,000	1,000	2,195	1,195
Total revenues	25,300	25,300	8,396	(16,904)
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Materials and services	2,300	2,300	5,575	(3,275)
Capital outlay	1,000	1,000	547	453
Contingency	32,500	32,500	-	32,500
Total expenditures	35,800	35,800	6,122	29,678
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>				
	(10,500)	(10,500)	2,274	12,774
<u>FUND BALANCE, BEGINNING</u>				
	10,500	10,500	22,105	11,605
<u>FUND BALANCE, ENDING</u>				
	\$ -	\$ -	\$ 24,379	\$ 24,379

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
ENTERPRISE ZONE PROJECT FUND
For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>REVENUES:</u>				
Contributions	\$ 1,000,000	\$ 1,000,000	\$ 950,000	\$ (50,000)
Investment earnings	-	-	13	13
Total revenues	<u>1,000,000</u>	<u>1,000,000</u>	<u>950,013</u>	<u>(49,987)</u>
<u>EXPENDITURES:</u>				
Contingency	<u>463,374</u>	<u>463,374</u>	<u>-</u>	<u>463,374</u>
<u>EXCESS OF REVENUES</u>				
<u>OVER EXPENDITURES</u>				
	536,626	536,626	950,013	413,387
<u>OTHER FINANCING SOURCES</u>				
<u>(USES):</u>				
Transfers out	<u>(1,743,300)</u>	<u>(1,743,300)</u>	<u>(887,125)</u>	<u>856,175</u>
<u>NET CHANGE IN FUND</u>				
<u>BALANCES</u>				
	(1,206,674)	(1,206,674)	62,888	1,269,562
<u>FUND BALANCE, BEGINNING</u>	<u>1,206,674</u>	<u>1,206,674</u>	<u>1,181,683</u>	<u>(24,991)</u>
<u>FUND BALANCE, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,244,571</u>	<u>\$ 1,244,571</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

HERMISTON URBAN RENEWAL AGENCY FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Property taxes	\$ 240,242	\$ 240,242	\$ 251,891	\$ 11,649
Total revenues	<u>240,242</u>	<u>240,242</u>	<u>251,891</u>	<u>11,649</u>
<u>EXPENDITURES:</u>				
Current:				
Economic development:				
Materials and services	127,500	127,500	212,110	(84,610)
Debt service	107,487	107,487	99,362	8,125
Contingency	171,931	171,931	-	171,931
Total expenditures	<u>406,918</u>	<u>406,918</u>	<u>311,472</u>	<u>95,446</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(166,676)</u>	<u>(166,676)</u>	<u>(59,581)</u>	<u>107,095</u>
<u>FUND BALANCE, BEGINNING</u>	<u>166,676</u>	<u>166,676</u>	<u>217,456</u>	<u>50,780</u>
<u>FUND BALANCE, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 157,875</u>	<u>\$ 157,875</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

EOTEC OPERATIONS FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Charges for services	\$ 300,000	\$ 300,000	\$ 375,936	\$ 75,936
Intergovernmental	75,000	75,000	75,000	-
Contributions	25,000	25,000	15,000	(10,000)
	<u>400,000</u>	<u>400,000</u>	<u>465,936</u>	<u>65,936</u>
<u>EXPENDITURES:</u>				
Current:				
Culture and recreation:				
Personnel services	250,000	250,000	289,037	(39,037)
Materials and services	377,793	377,793	433,822	(56,029)
	<u>627,793</u>	<u>627,793</u>	<u>722,859</u>	<u>(95,066)</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>				
	(227,793)	(227,793)	(256,923)	(29,130)
<u>OTHER FINANCING SOURCES:</u>				
Transfers in	95,000	95,000	125,956	30,956
<u>NET CHANGE IN FUND BALANCES</u>				
	(132,793)	(132,793)	(130,967)	1,826
<u>FUND BALANCE, BEGINNING</u>				
	132,793	132,793	42,450	(90,343)
<u>FUND BALANCE (DEFICIT), ENDING</u>				
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (88,517)</u>	<u>\$ (88,517)</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
CITY HALL CONSTRUCTION FUND
For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Investment earnings	\$ -	\$ -	\$ 54	\$ 54
Total revenues	-	-	54	54
<u>EXPENDITURES:</u>				
Capital outlay	7,348,498	7,348,498	7,465,579	(117,081)
Total expenditures	7,348,498	7,348,498	7,465,579	(117,081)
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	(7,348,498)	(7,348,498)	(7,465,525)	(117,027)
<u>FUND BALANCE, BEGINNING</u>	7,348,498	7,348,498	7,308,269	(40,229)
<u>FUND BALANCE (DEFICIT), ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (157,256)</u>	<u>\$ (157,256)</u>

CITY OF HERMISTON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
RESERVE FUND**

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>REVENUES:</u>				
Intergovernmental	\$ 2,975,400	\$ 3,015,400	\$ 1,618,095	\$ (1,397,305)
Contributions	-	-	43,029	43,029
System development charges	155,000	155,000	215,363	60,363
Investment earnings (losses)	-	-	(84,528)	(84,528)
Miscellaneous	52,094	134,094	180,871	46,777
Total revenues	<u>3,182,494</u>	<u>3,304,494</u>	<u>1,972,830</u>	<u>(1,331,664)</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Materials and services	840,000	1,170,000	617,826	552,174
Capital outlay	8,860,306	9,235,306	4,131,098	5,104,208
Debt Service	-	25,000	25,000	-
Contingency	1,558,050	1,068,050	-	1,068,050
Total expenditures	<u>11,258,356</u>	<u>11,498,356</u>	<u>4,773,924</u>	<u>6,724,432</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>				
	<u>(8,075,862)</u>	<u>(8,193,862)</u>	<u>(2,801,094)</u>	<u>5,392,768</u>
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	3,454,450	3,504,450	3,590,139	85,689
Transfers out	(39,453)	(39,453)	(39,453)	-
Total other financing sources (uses)	<u>3,414,997</u>	<u>3,464,997</u>	<u>3,550,686</u>	<u>85,689</u>
<u>NET CHANGE IN FUND BALANCES</u>				
	<u>(4,660,865)</u>	<u>(4,728,865)</u>	<u>749,592</u>	<u>5,478,457</u>
<u>FUND BALANCE, BEGINNING</u>				
	<u>5,755,258</u>	<u>5,823,258</u>	<u>7,796,578</u>	<u>1,973,320</u>
<u>FUND BALANCE, ENDING</u>				
	<u>\$ 1,094,393</u>	<u>\$ 1,094,393</u>	<u>\$ 8,546,170</u>	<u>\$ 7,451,777</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL

LOCAL IMPROVEMENT DISTRICT FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>REVENUES</u>				
Intergovernmental	\$ 585,000	\$ 585,000	\$ -	\$ (585,000)
Miscellaneous	-	1,744,734	238,497	(1,506,237)
Total revenues	<u>585,000</u>	<u>2,329,734</u>	<u>238,497</u>	<u>(2,091,237)</u>
<u>EXPENDITURES:</u>				
Current:				
General government:				
Materials and services	480,572	516,572	35,851	480,721
Capital outlay	-	1,819,000	1,818,844	156
Total expenditures	<u>480,572</u>	<u>2,335,572</u>	<u>1,854,695</u>	<u>480,877</u>
<u>EXCESS (DEFICIENCY) OF REVENUES</u>				
<u>OVER (UNDER) EXPENDITURES</u>	<u>104,428</u>	<u>(5,838)</u>	<u>(1,616,198)</u>	<u>(1,610,360)</u>
<u>OTHER FINANCING SOURCES:</u>				
Loan proceeds	-	60,266	60,266	-
Transfers in	-	50,000	50,000	-
Transfers out	<u>(585,000)</u>	<u>(585,000)</u>	<u>(585,000)</u>	<u>-</u>
Total other financing sources	<u>(585,000)</u>	<u>(474,734)</u>	<u>(474,734)</u>	<u>-</u>
<u>NET CHANGE IN FUND</u>				
<u>BALANCES</u>	<u>(480,572)</u>	<u>(480,572)</u>	<u>(2,090,932)</u>	<u>(1,610,360)</u>
<u>FUND BALANCE, BEGINNING</u>	<u>480,572</u>	<u>480,572</u>	<u>345,392</u>	<u>(135,180)</u>
<u>FUND BALANCE (DEFICIT),</u>				
<u>ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,745,540)</u>	<u>\$ (1,745,540)</u>

CITY OF HERMISTON, OREGON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
BONDED DEBT FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES:</u>				
Property taxes	\$ 316,580	\$ 316,580	\$ 310,021	\$ (6,559)
Total revenues	316,580	316,580	310,021	(6,559)
<u>EXPENDITURES:</u>				
Debt service	533,120	533,120	533,105	15
Total expenditures	533,120	533,120	533,105	15
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	(216,540)	(216,540)	(223,084)	(6,544)
<u>OTHER FINANCING SOURCES:</u>				
Transfers in	208,819	208,819	208,819	-
<u>NET CHANGE IN FUND BALANCE</u>	(7,721)	(7,721)	(14,265)	(6,544)
<u>FUND BALANCE, BEGINNING</u>	167,581	167,581	115,441	(52,140)
<u>FUND BALANCE, ENDING</u>	<u>\$ 159,860</u>	<u>\$ 159,860</u>	<u>\$ 101,176</u>	<u>\$ (58,684)</u>

Budgetary Comparison Schedules
Proprietary Funds
June 30, 2022

Enterprise Funds

- Energy Operations
 - Energy Services

- Utility Operations
 - Utility

- Regional Water Operations
 - Regional Water

CITY OF HERMISTON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
ENERGY OPERATIONS COMBINED
For the Fiscal Year Ended June 30, 2022**

	<u>Energy Services Fund</u>	<u>2016 FF&C Electric Fund</u>	<u>Total Energy Operations</u>
<u>REVENUES:</u>			
Charges for services	\$ 10,432,454	\$ -	\$ 10,432,454
Investment earnings (losses)	(41,941)	-	(41,941)
Total revenues	<u>10,390,513</u>	<u>-</u>	<u>10,390,513</u>
<u>EXPENDITURES:</u>			
Current:			
Personnel services	188,641	-	188,641
Materials and services	7,841,949	-	7,841,949
Capital outlay	864,153	-	864,153
Debt service	1,070,750	-	1,070,750
Total expenditures	<u>9,965,493</u>	<u>-</u>	<u>9,965,493</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	<u>425,020</u>	<u>-</u>	<u>425,020</u>
<u>OTHER FINANCING SOURCES (USES):</u>			
Transfers in	-	-	-
Transfers out	(157,800)	-	(157,800)
Total other financing sources (uses)	<u>(157,800)</u>	<u>-</u>	<u>(157,800)</u>
<u>NET CHANGE IN FUND BALANCE</u>	<u>267,220</u>	<u>-</u>	<u>267,220</u>
<u>FUND BALANCE, BEGINNING</u>	<u>3,275,180</u>	<u>-</u>	<u>3,275,180</u>
<u>FUND BALANCE, ENDING</u>	<u>\$ 3,542,400</u>	<u>\$ -</u>	<u>3,542,400</u>
<u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</u>			
Prepaid items			3,179
Capital assets, net of depreciation			15,381,181
Deferred amounts on refunding			143,036
Deferred outflows - pension			78,899
Deferred outflows - OPEB			2,046
Other post employment benefits asset			3,587
Deferred inflows - pension			(99,733)
Deferred inflows - OPEB			(2,350)
Accrued interest payable			(35,096)
Net pension liability			(132,197)
Other post employment benefits liability			(11,919)
Long-term debt			(13,105,193)
<u>NET POSITION, ENDING</u>			<u>\$ 5,767,840</u>

See auditors' report.

CITY OF HERMISTON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

ENERGY SERVICES FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
<u>REVENUES:</u>				
Charges for services	\$ 9,483,323	\$ 9,833,323	\$ 10,432,454	\$ 599,131
Investment earnings (losses)	10,000	10,000	(41,941)	(51,941)
Total revenues	<u>9,493,323</u>	<u>9,843,323</u>	<u>10,390,513</u>	<u>547,190</u>
<u>EXPENDITURES:</u>				
Current:				
Personnel services	189,490	189,490	188,641	849
Materials and services	7,921,866	7,921,866	7,841,949	79,917
Capital outlay	450,000	800,000	864,153	(64,153)
Debt service	1,070,750	1,070,750	1,070,750	-
Contingency	2,038,551	2,038,551	-	2,038,551
Total expenditures	<u>11,670,657</u>	<u>12,020,657</u>	<u>9,965,493</u>	<u>2,055,164</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(2,177,334)</u>	<u>(2,177,334)</u>	<u>425,020</u>	<u>2,602,354</u>
<u>OTHER FINANCING SOURCES:</u>				
Transfers out	(157,800)	(157,800)	(157,800)	-
Total other financing sources	<u>(157,800)</u>	<u>(157,800)</u>	<u>(157,800)</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>(2,335,134)</u>	<u>(2,335,134)</u>	<u>267,220</u>	<u>2,602,354</u>
<u>FUND BALANCE, BEGINNING</u>	<u>2,335,134</u>	<u>2,335,134</u>	<u>3,275,180</u>	<u>940,046</u>
<u>FUND BALANCE, ENDING</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,542,400</u>	<u>\$ 3,542,400</u>

CITY OF HERMISTON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

2016 FF&C ELECTRIC FUND

For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>	\$ -	\$ -	\$ -	\$ -
<u>EXPENDITURES:</u>				
Capital outlay	165,000	165,000	-	165,000
Total expenditures	165,000	165,000	-	165,000
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	(165,000)	(165,000)	-	165,000
<u>FUND BALANCE, BEGINNING</u>	165,000	165,000	-	(165,000)
<u>FUND BALANCE, ENDING</u>	\$ -	\$ -	\$ -	\$ -

CITY OF HERMISTON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

UTILITY FUND

For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES:</u>				
Charges for services	\$ 9,284,215	\$ 9,284,215	\$ 10,032,511	\$ 748,296
Investment earnings (losses)	-	-	(915)	(915)
Total revenues	9,284,215	9,284,215	10,031,596	747,381
<u>EXPENDITURES:</u>				
Sewer	2,372,923	2,775,823	2,716,565	59,258
Water	1,939,179	1,939,179	1,786,939	152,240
Debt service	2,125,797	2,403,697	2,228,696	175,001
Contingency	2,156,303	1,475,503	-	1,475,503
Total expenditures	8,594,202	8,594,202	6,732,200	1,862,002
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>				
	690,013	690,013	3,299,396	2,609,383
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers in	377,500	377,500	377,500	-
Transfers out	(2,699,700)	(2,699,700)	(2,699,700)	-
Total other financing sources (uses)	(2,322,200)	(2,322,200)	(2,322,200)	-
<u>NET CHANGE IN FUND BALANCES</u>				
	(1,632,187)	(1,632,187)	977,196	2,609,383
<u>FUND BALANCE, BEGINNING</u>				
	1,632,187	1,632,187	4,127,852	2,495,665
<u>FUND BALANCE, ENDING</u>				
	\$ -	\$ -	5,105,048	\$ 5,105,048
<u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</u>				
Prepaid items			47,387	
Capital assets, net of depreciation			46,013,759	
Lease asset, net of amortization			145,569	
Deferred outflows - pension			820,412	
Deferred outflows - OPEB			21,271	
Other post employment benefits asset			37,303	
Deferred inflows - pension			(1,037,045)	
Deferred inflows - OPEB			(24,440)	
Retainage Payable			(6,893)	
Accrued interest payable			(99,461)	
Compensated absences			(86,506)	
Net pension liability			(1,374,616)	
Other post employment benefits liability			(123,940)	
Long-term debt			(22,171,341)	
<u>NET POSITION, ENDING</u>			<u>\$ 27,266,507</u>	

See auditors' report.

CITY OF HERMISTON, OREGON

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)**

REGIONAL WATER FUND

For the Fiscal Year Ended June 30, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>REVENUES:</u>				
Charges for services	\$ 1,260,000	\$ 1,260,000	\$ 1,046,679	\$ (213,321)
Investment earnings	1,000	1,000	-	(1,000)
Miscellaneous	250,000	250,000	165,984	(84,016)
Total revenues	1,511,000	1,511,000	1,212,663	(298,337)
<u>EXPENDITURES:</u>				
Current:				
Personnel services	237,402	237,402	197,917	39,485
Materials and services	666,600	816,600	645,398	171,202
Contingency	615,189	465,189	-	465,189
Total expenditures	1,519,191	1,519,191	843,315	675,876
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	(8,191)	(8,191)	369,348	377,539
<u>OTHER FINANCING SOURCES (USES):</u>				
Transfers out	(256,400)	(256,400)	(256,400)	-
<u>NET CHANGE IN FUND BALANCES</u>	(264,591)	(264,591)	112,948	377,539
<u>FUND BALANCE, BEGINNING</u>	264,591	264,591	564,568	299,977
<u>FUND BALANCE, ENDING</u>	\$ -	\$ -	677,516	\$ 677,516
<u>RECONCILIATION TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES:</u>				
Prepaid items			3,949	
Capital assets, net of depreciation			7,507,725	
Deferred outflows - pension			80,897	
Deferred outflows - OPEB			2,097	
Other post employment benefits asset			3,678	
Deferred inflows - pension			(102,258)	
Deferred inflows - OPEB			(2,410)	
Net pension liability			(135,545)	
Other post employment benefits liability			(12,221)	
<u>NET POSITION, ENDING</u>			8,023,428	

See auditors' report.

STATISTICAL SECTION

STATISTICAL SECTION
June 30, 2022

This section provides further details as a framework for a better understanding of the financial statements.

Financial Trends

- **Energy Operations**
 - These schedules contain trend information to help the reader understand how financial performance has changed over time.
- **Revenue Capacity**
 - These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.
- **Debt Capacity**
 - These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt.
- **Demographic and Economic Information**
 - These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.
- **Operating Information**
 - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: The information in these schedules is derived from the annual comprehensive financial reports for the relevant year, unless otherwise noted.

FINANCIAL TRENDS

CITY OF HERMISTON, OREGON
NET POSITION BY COMPONENT
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
Net investment in capital assets	\$ 9,715,119	\$ 9,863,841	\$ 9,442,030	\$ 12,617,100	\$ 13,373,217	\$ 31,874,245	\$ 29,794,306	\$ 28,422,213	\$ 26,961,933	\$ 35,021,440
Restricted	2,576,299	1,721,429	2,238,796	2,210,641	2,645,719	4,398,893	5,160,279	2,841,382	4,486,175	6,981,392
Unrestricted	11,030,627	12,159,756	11,780,711	11,704,803	10,234,333	433,032	(970,948)	(471,226)	(2,136,957)	(8,757,257)
Total governmental activities net position	23,322,045	23,745,026	23,461,537	26,532,544	26,253,269	36,706,170	33,983,637	30,792,369	29,311,151	33,245,575
Business-type activities										
Net investment in capital assets	16,894,261	13,797,360	19,175,468	21,719,929	21,734,246	24,632,313	27,809,561	30,340,724	31,359,001	33,935,276
Restricted	-	4,766,504	910,400	-	-	-	-	-	-	-
Unrestricted	5,554,338	3,881,085	4,976,113	5,698,050	3,834,883	1,858,363	2,639,292	3,582,390	5,748,967	7,122,499
Total business-type activities net position	22,448,599	22,444,949	25,061,981	27,417,979	25,569,129	26,490,676	30,448,853	33,923,114	37,107,968	41,057,775
Primary government										
Net investment in capital assets	26,609,380	23,661,201	25,998,378	31,962,821	32,983,167	54,642,174	56,004,395	58,762,937	58,320,934	68,956,716
Restricted	2,576,299	6,487,933	3,149,196	2,210,641	2,645,719	4,398,893	5,160,279	2,841,382	4,486,175	6,981,392
Unrestricted	16,584,965	16,040,841	19,375,944	19,777,061	16,193,512	4,155,779	3,267,816	3,111,164	3,612,010	(1,634,758)
Total primary government net position	\$ 45,770,644	\$ 46,189,975	\$ 48,523,518	\$ 53,950,523	\$ 51,822,398	\$ 63,196,846	\$ 64,432,490	\$ 64,715,483	\$ 66,419,119	\$ 74,303,350

CITY OF HERMISTON, OREGON
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Expenses										
Governmental activities:										
General government	\$ 2,380,875	\$ 2,235,974	\$ 2,228,173	\$ 3,163,574	\$ 2,871,501	\$ 3,339,591	\$ 3,417,935	\$ 3,932,518	\$ 5,835,383	\$ 4,581,091
Public safety	4,018,606	4,206,167	3,435,296	6,245,648	5,309,128	5,539,752	5,661,003	6,424,506	7,156,041	6,166,511
Highways and streets	1,011,422	1,137,768	900,581	1,333,965	1,119,273	1,405,178	2,281,464	2,118,020	1,948,404	1,838,832
Culture and recreation	2,740,214	2,574,869	3,314,985	4,850,208	2,625,972	4,590,328	4,730,222	4,833,141	4,934,746	5,116,819
Economic development	-	-	77,207	82,723	309,524	441,929	148,570	77,848	102,096	83,168
Interest on long-term debt	68,386	79,275	164,052	158,589	174,004	274,552	255,568	283,832	272,023	497,181
Total governmental activities expenses	10,219,503	10,234,053	10,120,294	15,834,707	12,409,402	15,591,330	16,494,762	17,669,865	20,248,693	18,283,602
Business-type activities:										
Water	2,427,322	2,958,897	2,407,687	3,640,686	3,765,539	3,962,160	4,079,548	3,802,694	3,952,090	3,942,951
Sewer	1,686,417	1,839,835	1,932,688	3,456,671	4,538,393	3,130,807	3,637,673	3,978,127	3,598,968	4,097,476
Electric Operations	7,081,396	7,484,555	7,380,813	7,663,289	7,863,889	8,061,520	8,311,917	8,455,151	8,536,740	8,634,460
Total business-type activities expenses	11,195,135	12,283,287	11,721,188	14,760,646	16,167,821	15,154,487	16,029,138	16,235,972	16,087,798	16,674,887
Total primary government expenses	\$ 21,414,638	\$ 22,517,340	\$ 21,841,482	\$ 30,595,353	\$ 28,577,223	\$ 30,745,817	\$ 32,523,900	\$ 33,905,837	\$ 36,336,491	\$ 34,958,489
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 635,560	\$ 846,514	\$ 593,195	\$ 612,955	\$ 644,829	\$ 623,338	\$ 639,535	\$ 1,339,454	\$ 2,951,194	\$ 1,527,502
Public Safety	827,126	777,567	911,960	952,067	776,501	809,235	677,931	488,462	290,053	394,464
Cultural and recreation	701,662	618,789	699,689	646,763	578,159	823,542	1,050,747	833,104	410,010	939,333
Economic development	-	-	195,851	320,511	289,107	534,812	446,697	-	-	-
Operating grants and contributions	91,517	92,624	1,160,072	1,621,506	1,723,329	1,806,494	1,975,875	2,409,179	1,994,939	1,481,810
Capital grants and contributions	401,383	673,801	3,025,502	8,620,793	835,737	4,481,709	1,386,740	896,063	1,610,676	6,428,110
Total governmental activities program revenues	2,657,248	3,009,295	6,586,269	12,774,595	4,847,662	9,079,130	6,177,525	5,966,262	7,256,872	10,771,219
Business-type activities:										
Charges for services:										
Water	2,948,154	3,065,357	3,375,433	3,631,599	3,528,905	3,938,030	4,776,913	5,406,535	6,163,658	6,165,153
Sewer	1,865,292	1,925,266	2,125,495	2,231,320	2,424,033	2,588,829	3,504,177	4,710,812	4,919,046	5,080,021
Electricity	7,184,651	7,363,082	7,397,090	8,124,700	8,582,818	8,854,864	9,105,483	8,581,271	9,711,135	10,432,454
Capital grants and contributions	-	-	185,549	1,638,740	-	1,063,494	864,223	143,193	-	-
Total business-type activities program revenues	11,998,097	12,353,705	13,083,567	15,626,359	14,535,756	16,445,217	18,250,796	18,841,811	20,793,839	21,677,628
Total primary government program revenues	\$ 14,655,345	\$ 15,363,000	\$ 19,669,836	\$ 28,400,954	\$ 19,383,418	\$ 25,524,347	\$ 24,428,321	\$ 24,808,073	\$ 28,050,711	\$ 32,448,847
Net (expense)/revenue										
Governmental activities	(7,562,255)	(7,224,758)	(3,534,025)	(3,060,112)	(7,561,740)	(6,512,200)	(10,317,237)	(11,703,603)	(12,991,821)	(7,512,383)
Business-type activities	802,962	70,418	1,362,379	865,713	(1,632,065)	1,290,730	2,221,658	2,605,839	4,706,041	5,002,741
Total primary government net expense	\$ (6,759,293)	\$ (7,154,340)	\$ (2,171,646)	\$ (2,194,399)	\$ (9,193,805)	\$ (5,221,470)	\$ (8,095,579)	\$ (9,097,764)	\$ (8,285,780)	\$ (2,509,642)

Continued

CITY OF HERMISTON, OREGON
CHANGES IN NET POSITION
Last Ten Fiscal Years
(accrual basis of accounting)

Continued

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 4,938,762	\$ 4,961,148	\$ 5,228,716	\$ 5,324,750	\$ 5,452,002	\$ 5,923,273	\$ 6,190,692	\$ 6,491,744	\$ 6,755,220	\$ 7,228,103
Franchise fee and transient room taxes	384,155	409,002	929,148	972,207	1,209,024	1,518,744	1,723,549	1,630,306	1,797,692	1,892,282
Payments in lieu of taxes	-	-	-	-	-	-	-	500,000	1,000,000	950,000
Public service taxes	1,897,998	2,189,440	467,937	-	-	-	-	-	-	-
Investment earnings (losses)	21,485	130,246	87,699	85,479	53,797	76,779	271,816	237,102	44,607	(135,259)
Change in joint venture net position	845,921	(98,357)	54,909	-	-	-	-	-	-	-
Other revenues	552,843	227,062	185,408	112,643	204,440	396,412	982,393	370,614	238,688	536,207
Gain (loss) on disposal of capital assets	-	-	-	-	-	-	-	-	(48,259)	40,200
Extraordinary items	-	-	-	-	-	-	-	159,890	189,235	-
Transfers	864,438	(34,068)	1,065,243	(404,760)	363,202	324,231	(1,573,746)	(907,788)	1,541,420	968,849
Total governmental activities	<u>9,505,602</u>	<u>7,784,473</u>	<u>8,019,060</u>	<u>6,090,319</u>	<u>7,282,465</u>	<u>8,239,439</u>	<u>7,594,704</u>	<u>8,481,868</u>	<u>11,518,603</u>	<u>11,480,382</u>
Business-type activities:										
Investment earnings (losses)	10,648	40,595	76,640	56,851	21,418	109,788	162,773	94,364	20,233	(42,856)
Other revenues	151,859	217,916	141,668	118,975	-	-	-	-	-	-
Transfers	(864,438)	34,068	(1,065,243)	404,760	(363,202)	(324,231)	1,573,746	907,788	(1,541,420)	(968,849)
Total business-type activities	<u>(701,931)</u>	<u>292,579</u>	<u>(846,935)</u>	<u>580,586</u>	<u>(341,784)</u>	<u>(214,443)</u>	<u>1,736,519</u>	<u>1,002,152</u>	<u>(1,521,187)</u>	<u>(1,011,705)</u>
Total primary government	<u>\$ 8,803,671</u>	<u>\$ 8,077,052</u>	<u>\$ 7,172,125</u>	<u>\$ 6,670,905</u>	<u>\$ 6,940,681</u>	<u>\$ 8,024,996</u>	<u>\$ 9,331,223</u>	<u>\$ 9,484,020</u>	<u>\$ 9,997,416</u>	<u>\$ 10,468,677</u>
Change in Net Position										
Governmental activities	1,943,347	559,715	4,485,035	3,030,207	(279,275)	1,727,239	(2,722,533)	8,481,868	(1,481,218)	3,967,999
Business-type activities	101,031	362,997	515,444	1,446,299	(1,973,849)	1,076,287	3,958,177	1,002,152	3,184,854	3,991,036
Total primary government	<u>\$ 2,044,378</u>	<u>\$ 922,712</u>	<u>\$ 5,000,479</u>	<u>\$ 4,476,506</u>	<u>\$ (2,253,124)</u>	<u>\$ 2,803,526</u>	<u>\$ 1,235,644</u>	<u>\$ 9,484,020</u>	<u>\$ 1,703,636</u>	<u>\$ 7,959,035</u>

CITY OF HERMISTON, OREGON
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General fund										
Nondisposable	\$ -	\$ -	\$ -	\$ -	\$ 140,838	\$ 30,031	\$ 20,936	\$ 103,236	\$ 1,819	\$ 1,819
Restricted	-	-	-	-	82,415	82,415	82,415	-	158,896	-
Assigned	1,859,278	1,502,800	1,553,269	207,250	-	-	-	-	-	-
Unassigned	3,011,936	3,204,434	3,513,484	4,501,800	3,879,518	3,300,157	2,983,175	2,250,567	809,894	2,251,160
Total general fund	<u>\$ 4,871,214</u>	<u>\$ 4,707,234</u>	<u>\$ 5,066,753</u>	<u>\$ 4,709,050</u>	<u>\$ 4,102,771</u>	<u>\$ 3,412,603</u>	<u>\$ 3,086,526</u>	<u>\$ 2,353,803</u>	<u>\$ 970,609</u>	<u>\$ 2,252,979</u>
All other governmental funds										
Nondisposable	\$ 1,682,405	\$ 1,501,658	\$ -	\$ -	\$ 26,334	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted	2,501,362	1,721,429	2,238,796	2,210,641	4,062,291	4,316,478	5,077,864	2,841,382	11,635,548	5,056,001
Committed	3,818,631	5,178,081	6,097,014	5,237,009	5,332,394	3,546,055	2,929,464	4,428,344	5,890,989	5,696,579
Assigned	-	-	-	-	42,051	44,725	9,136	-	-	-
Unassigned	-	-	-	-	(92,255)	-	-	-	-	(2,004,594)
Total all other governmental funds	<u>\$ 8,002,398</u>	<u>\$ 8,401,168</u>	<u>\$ 8,335,810</u>	<u>\$ 7,447,650</u>	<u>\$ 9,370,815</u>	<u>\$ 7,907,258</u>	<u>\$ 8,016,464</u>	<u>\$ 7,269,726</u>	<u>\$ 17,526,537</u>	<u>\$ 8,747,986</u>
Total all funds	<u>\$ 12,873,612</u>	<u>\$ 13,108,402</u>	<u>\$ 13,402,563</u>	<u>\$ 12,156,700</u>	<u>\$ 13,473,586</u>	<u>\$ 11,319,861</u>	<u>\$ 11,102,990</u>	<u>\$ 9,623,529</u>	<u>\$ 18,497,146</u>	<u>\$ 11,000,965</u>

CITY OF HERMISTON, OREGON
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenues										
Taxes	\$ 5,100,417	\$ 5,167,710	\$ 5,250,162	\$ 5,307,456	\$ 5,456,324	\$ 5,926,552	\$ 6,187,004	\$ 6,467,328	\$ 6,796,654	\$ 7,220,123
Payments in lieu of taxes	-	-	-	-	-	-	-	500,000	1,000,000	950,000
Transient room tax	441,185	588,111	515,452	558,871	782,067	984,071	926,586	811,074	833,963	1,128,274
Licenses & franchise fees	388,510	413,657	413,696	413,336	421,448	534,674	748,700	800,660	968,681	769,918
Charges for services	1,441,165	1,572,120	1,654,459	1,765,558	1,566,909	1,956,274	2,368,392	2,119,219	3,105,674	2,817,574
Intergovernmental	1,334,755	1,471,670	1,638,379	1,690,476	2,811,297	5,227,069	3,160,150	2,196,528	3,849,738	6,342,308
Fines and forfeits	718,828	666,095	802,025	838,433	644,588	644,247	509,026	488,462	296,041	404,333
Investment earnings (losses)	21,485	130,246	87,699	85,479	53,797	76,780	271,816	237,102	44,607	(135,259)
Miscellaneous	1,043,797	992,713	3,144,751	6,784,708	350,195	961,443	802,736	1,022,093	745,115	1,020,033
Total revenues	10,490,142	11,002,322	13,506,623	17,444,317	12,086,625	16,311,110	14,974,410	14,642,466	17,640,473	20,517,304
Expenditures										
General government	2,271,074	2,157,645	2,161,681	2,720,375	2,566,425	3,176,898	3,209,785	3,373,156	4,855,341	4,137,580
Public safety	3,942,358	4,140,332	4,226,920	4,446,364	4,785,629	5,006,134	5,322,712	5,785,254	5,983,297	6,233,133
Highways and streets	618,522	733,546	635,584	689,398	660,187	1,059,168	974,221	1,530,214	1,212,785	1,258,209
Economic development	-	-	77,207	82,723	411,483	441,929	148,571	77,848	102,096	83,168
Culture and recreation	2,370,707	2,297,946	2,115,784	2,187,217	2,202,457	3,208,489	3,471,048	3,446,128	3,332,975	4,121,891
Capital outlay	864,410	1,033,467	4,124,944	7,820,601	3,884,238	7,791,443	1,493,196	3,013,203	4,283,602	11,521,016
Debt service										
Principle	60,000	135,000	330,000	335,000	340,000	723,386	744,456	830,500	808,594	1,180,977
Interest	72,907	96,085	183,523	177,635	171,590	286,237	276,866	191,407	278,926	506,626
Total expenditures	10,199,978	10,594,021	13,855,643	18,459,313	15,022,009	21,693,684	15,640,855	18,247,710	20,857,616	29,042,600
Excess (deficiency) of revenues over (under) expenditures	290,164	408,301	(349,020)	(1,014,996)	(2,935,384)	(5,382,574)	(666,445)	(3,605,244)	(3,217,143)	(8,525,296)
Other financing sources (uses)										
Transfers in	4,022,425	2,406,591	3,284,002	2,628,310	3,248,918	5,354,989	3,205,906	4,468,762	6,165,136	6,326,644
Transfers out	(3,157,987)	(2,440,659)	(1,224,458)	(2,899,977)	(2,711,585)	(4,217,098)	(4,779,652)	(5,376,550)	(4,623,716)	(5,357,795)
Change in joint venture fund balance	1,492,582	(195,218)	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	3,595,000	-	1,431,613	2,873,681	10,329,638	60,266
Bond premium	-	-	-	-	119,939	-	-	-	-	-
Extraordinary item	-	-	-	-	-	-	591,706	159,890	189,235	-
Total other financing sources (uses)	2,357,020	(229,286)	2,059,544	(271,667)	4,252,272	1,137,891	449,573	2,125,783	12,060,293	1,029,115
Net change in fund balances	\$ 2,647,184	\$ 179,015	\$ 1,710,524	\$ (1,286,663)	\$ 1,316,888	\$ (4,244,683)	\$ (216,872)	\$ (1,479,461)	\$ 8,843,150	\$ (7,496,181)
Debt service as a percentage of non-capital expenditures (debt/Other Exp) - Capital Additions)	1.42%	2.42%	3.82%	3.52%	3.79%	7.33%	6.90%	6.71%	6.56%	9.63%

REVENUE CAPACITY

CITY OF HERMISTON, OREGON
MARKET AND ASSESSED VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Fiscal Year Ended June 30,	Real Property	Personal Property	Public Utilities	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2013	744,573,580	36,035,810	24,568,100	805,177,490	6.44	941,918,787	85.48%
2014	747,023,905	36,202,580	24,317,000	807,543,485	6.49	935,091,901	86.36%
2015	769,409,690	46,304,920	25,825,983	841,540,593	6.90	986,977,008	85.26%
2016	802,031,496	46,400,570	28,571,490	877,003,556	6.82	1,033,085,828	84.89%
2017	878,853,797	52,015,630	29,749,456	960,618,883	6.82	1,070,438,667	89.74%
2018	908,387,673	53,982,515	37,046,460	999,416,648	6.86	1,187,064,794	84.19%
2019	970,296,037	48,911,862	36,695,540	1,055,903,439	6.53	1,225,505,098	86.16%
2020	972,755,565	48,894,532	36,695,540	1,058,345,637	6.52	1,369,007,522	77.31%
2021	1,023,695,133	52,624,030	36,810,555	1,113,129,718	6.51	1,450,321,949	76.75%
2022	1,071,497,274	55,371,316	37,636,940	1,164,505,530	6.51	1,622,258,494	71.78%

Source: Umatilla County Assessment and Taxation

CITY OF HERMISTON, OREGON
PROPERTY TAX RATES
DIRECT AND OVERLAPPING DEBT SCHEDULE
June 30, 2022

	Fiscal Year Ended June 30,									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Direct rates:</u>										
City of Hermiston - general	6.01	6.01	6.02	6.02	6.09	6.09	6.09	6.09	6.09	6.09
City of Hermiston - bond	0.27	0.28	0.30	0.32	0.34	0.30	0.30	0.38	0.40	0.35
Hermiston Urban Renewal District	0.23	0.22	0.20	0.19	0.43	0.43	0.43	0.43	-	-
Total direct rates	<u>6.51</u>	<u>6.51</u>	<u>6.52</u>	<u>6.53</u>	<u>6.86</u>	<u>6.82</u>	<u>6.82</u>	<u>6.90</u>	<u>6.49</u>	<u>6.44</u>
<u>Overlapping rates:</u>										
Umatilla County	2.81	2.81	2.82	2.82	2.85	2.85	3.04	3.03	3.06	3.10
Hermiston School District #8	8.33	8.36	8.39	8.93	9.00	8.94	8.97	9.02	9.02	9.01
Intermountain E.S.D.	0.61	0.61	0.61	0.61	0.62	0.62	0.62	0.62	0.62	0.62
Blue Mountain Community College	0.85	0.87	0.87	0.65	0.66	0.66	0.66	0.66	0.95	0.96
Port of Umatilla	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15	0.15
Hermiston Cemetery District #8	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Umatilla County Fire District #1	1.89	1.73	1.73	1.73	1.75	1.75	1.20	1.20	1.20	1.20
Umatilla Morrow Radio and Data District	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17	0.17
West Umatilla Mosquito Control District	0.20	0.20	0.20	0.20	0.29	0.29	0.28	0.24	0.38	0.29
Total overlapping rates	<u>15.10</u>	<u>14.98</u>	<u>15.03</u>	<u>15.35</u>	<u>15.58</u>	<u>15.52</u>	<u>15.18</u>	<u>15.18</u>	<u>15.64</u>	<u>15.59</u>
Total Rates	<u>21.61</u>	<u>21.50</u>	<u>21.55</u>	<u>21.88</u>	<u>22.44</u>	<u>22.34</u>	<u>22.00</u>	<u>22.08</u>	<u>22.13</u>	<u>22.03</u>

CITY OF HERMISTON, OREGON
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

	2022			2013		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Taxpayer						
Wal-Mart Stores East LP	\$ 38,968,575	1	3.35%	\$ 36,656,560	1	4.60%
Pioneer HI Bred	21,505,410	2	1.85%			0.00%
Starline Properties, LLC	16,122,600	3	1.38%			0.00%
Charter Communications	11,150,000	4	0.96%			0.00%
Wal-Mart/Sam's Club-BPP USO6037	10,963,740	5	0.94%	8,488,090	3	1.10%
Wal-Mart Real Estate Business Trust	10,136,790	6	0.87%			0.00%
Pioneer Hybrid International Inc.	9,976,690	7	0.86%			0.00%
Teton Venture LLC & Triumph Property	9,842,590	8	0.85%			0.00%
CMH Manufacturing West, Inc.	8,605,060	9	0.74%			0.00%
Hermiston Partners 1, LLC	7,735,580	10	0.66%			0.00%
Retail Trust #2			0.00%	8,815,560	2	1.10%
HD Development of Maryland, Inc.			0.00%	8,424,550	4	1.00%
Hermiston Station, LLC			0.00%	8,052,530	5	1.00%
Umatilla Electric Cooperative			0.00%	6,513,300	6	0.80%
Good Shepherd Hospital			0.00%	6,155,920	7	0.80%
Hermiston Foods, LLC			0.00%	5,458,646	8	0.70%
CDS Hermiston, LLC			0.00%	4,904,260	9	0.60%
Sterling Ridge Apartments, LLC			0.00%	4,861,490	10	0.60%
Totals	<u>\$ 145,007,035</u>		<u>12.45%</u>	<u>\$ 98,330,906</u>		<u>12.30%</u>

Source: Umatilla County Assessment and Taxation

CITY OF HERMISTON, OREGON
PROPERTY TAX LEVIES AND COLLECTIONS TO DATE
Last Ten Fiscal Years

Tax Year Ended June 30,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2013	\$ 5,035,471	\$ 4,719,222	93.7%	314,380	\$ 5,033,602	100.0%
2014	5,073,454	4,760,155	93.8%	312,534	5,072,689	99.9%
2015	5,351,320	5,024,002	93.9%	326,372	5,350,374	99.9%
2016	5,454,892	5,145,592	94.3%	307,933	5,453,525	99.9%
2017	5,413,837	5,180,279	95.7%	231,791	5,412,070	99.9%
2018	6,049,818	5,685,934	94.0%	360,116	6,046,050	99.9%
2019	6,017,553	5,648,487	93.9%	354,098	6,002,585	99.8%
2020	6,658,479	6,302,549	94.7%	320,091	6,622,640	99.5%
2021	7,010,451	6,638,283	94.7%	312,734	6,951,017	99.2%
2022	7,393,156	6,638,283	89.8%	-	6,638,283	89.8%

DEBT CAPACITY

CITY OF HERMISTON, OREGON
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business - Type Activities			Total Primary Government	Percentage of Personal Income	Per Capita	Population
	General Obligation Bonds	Notes Payable	Revenue Bonds	Refunding Bonds	Notes Payable				
2013	\$ 3,260,000	\$ -	\$ 12,305,000	\$ 4,116,262	\$ 4,259,869	\$ 23,941,131	4.42%	1,409	16,995
2014	3,125,000	-	16,770,000	3,624,471	16,231,556	39,751,027	6.83%	2,306	17,240
2015	5,758,275	-	17,273,873	-	21,142,806	44,174,954	7.08%	2,521	17,520
2016	5,407,021	-	16,669,541	-	20,719,793	42,796,355	6.54%	2,414	17,730
2017	8,763,957	-	24,629,300	-	19,864,333	53,257,590	7.87%	2,971	17,925
2018	8,256,706	491,614	23,742,978	-	18,985,572	51,476,870	7.21%	2,862	17,985
2019	7,734,455	1,678,771	22,826,656	-	18,082,872	50,322,754	6.59%	2,765	18,200
2020	5,857,644	4,269,203	23,219,894	-	17,155,572	50,502,313	6.15%	2,742	18,415
2021	15,041,257	4,886,547	38,260,393	-	-	58,188,197	6.40%	3,099	18,775
2022	14,458,736	4,643,269	35,865,161	-	-	54,967,166	N/A	2,791	19,696

Notes:

- In 2015 the City transferred \$2,859,036 general obligations bonds from business-type activities to governmental activities
- N/A - Not Available

CITY OF HERMISTON, OREGON
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Actual Taxable Value of Property</u>	<u>Per Capita</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>
2013	\$ 3,260,000	\$ 309,609	\$ 2,950,391	0.37%	174	16,995	\$ 805,177,490
2014	3,125,000	312,026	2,812,974	0.35%	163	17,240	807,543,485
2015	5,758,275	313,447	5,444,828	0.65%	311	17,520	841,540,593
2016	5,407,021	246,965	5,160,056	0.59%	291	17,730	877,013,556
2017	8,763,957	181,868	8,582,089	0.89%	479	17,925	960,618,883
2018	8,256,706	178,504	8,078,202	0.81%	449	17,985	999,416,648
2019	7,734,455	171,455	7,563,000	0.72%	416	18,200	1,055,903,439
2020	5,857,644	161,978	5,695,666	0.54%	309	18,415	1,058,345,637
2021	15,041,257	115,441	14,925,816	1.34%	795	18,775	1,113,129,718
2022	14,458,736	101,176	14,357,560	1.23%	729	19,696	1,164,505,530

Sources:

* In 2015 the City transferred \$2,859,036 general obligations bonds from business-type activities to governmental activities

(1) United States Census

(2) County Assessment and Taxation

CITY OF HERMISTON, OREGON
REVENUE BACKED DEBT
Last Ten Fiscal Years

Fiscal Year	Utility			Debt Service		Coverage
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
2013	\$ 4,255,424	\$ 2,832,605	\$ 1,422,819	\$ 255,469	\$ 57,528	4.55
2014	4,377,550	3,252,025	1,125,525	266,791	46,708	3.59
2015	4,933,829	2,678,958	2,254,871	277,744	229,477	4.45
2016	5,203,067	4,430,491	772,576	293,314	224,766	1.49
2017	5,292,480	5,222,163	70,317	303,413	212,806	0.14
2018	5,808,672	3,878,286	1,930,386	235,000	288,607	3.69
2019	7,349,897	4,411,029	2,938,868	250,000	288,163	5.46
2020	9,047,112	4,718,113	4,328,999	260,000	277,582	8.05
2021	9,902,274	4,338,863	5,563,411	270,000	269,078	10.32
2022	10,032,511	4,982,277	5,050,234	275,000	260,412	9.43

Fiscal Year	Electric			Debt Service		Coverage
	Utility Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	
2013	\$ 7,374,474	\$ 6,006,046	\$ 1,368,428	\$ 225,000	\$ 570,924	1.72
2014	7,595,399	6,439,942	1,155,457	250,000	550,188	1.44
2015	7,511,506	6,330,622	1,180,884	275,000	530,739	1.47
2016	8,243,675	6,618,728	1,624,947	305,000	518,948	1.97
2017	8,582,818	6,945,533	1,637,285	-	291,013	5.63
2018	8,854,864	7,118,702	1,736,162	-	-	-
2019	9,105,483	7,208,292	1,897,191	-	-	-
2020	8,581,271	7,350,097	1,231,174	-	-	-
2021	9,711,135	7,407,388	2,303,747	-	-	-
2022	10,432,454	7,486,612	2,945,842	-	-	-

The Utility fund had unusual expenses of about \$1.4 million to clean out the sewer lagoon in 2017.

Electric revenue bonds were refunded with full faith and credit obligations in 2017.

CITY OF HERMISTON, OREGON
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

True Cash Value (1)		\$ 1,622,258,494
		<u> x 3%</u>
General Obligation Debt Limit (2)		<u>48,667,755</u>
Gross bonded debt subject to limitation		<u>725,000</u>
Legal debt margin available for future indebtedness		<u><u>\$ 47,942,755</u></u>
Total net debt applicable to the limit as a percentage of debt limit		1.51%

Fiscal Year	True Cash Value	Debt Limit	Total debt applicable to limit	Legal Debt Margin	Total net debt applicable to the limit as a percentage of the debt limit
2013	\$ 941,918,800	\$ 28,257,564	\$ 2,975,000	\$ 25,282,564	11.77%
2014	935,091,901	28,052,757	2,750,000	25,302,757	10.87%
2015	986,977,008	29,609,310	2,520,000	27,089,310	9.30%
2016	1,033,085,828	30,992,575	2,285,000	28,707,575	7.96%
2017	1,070,438,667	32,113,160	2,045,000	30,068,160	6.80%
2018	1,187,064,794	35,611,944	1,795,000	33,816,944	5.31%
2019	1,225,505,098	36,765,153	1,540,000	35,225,153	4.37%
2020	1,369,007,522	41,070,226	1,280,000	39,790,226	3.22%
2021	1,450,321,949	43,509,658	1,010,000	42,499,658	2.38%
2022	1,622,258,494	48,667,755	725,000	47,942,755	1.51%

Sources:

(1) From Umatilla County Assessment and Taxation

(2) ORS 287A.050 provides a debt limit of 3% of the true cash value of all taxable property within the City boundaries.

CITY OF HERMISTON, OREGON
DIRECT AND OVERLAPPING DEBT
AND DEBT RATIOS
June 30, 2022

<u>Government</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Applicable to City</u>
<u>Direct Debt</u>			
City of Hermiston	\$ 20,406,317	100.00%	\$ 20,406,317
<u>Overlapping Debt</u>			
Umatilla County	7,912,032	15.03%	1,189,178
Umatilla County School District #8 (Hermiston)	153,996,292	44.88%	69,113,536
Umatilla County School District #61 (Stanfield)	13,938,583	10.15%	1,414,766
Umatilla Morrow Radio and Data District	2,664,615	9.69%	258,201
Blue Mountain Community College	21,010,000	8.11%	1,703,911
Intermountain ESD	5,497,223	6.93%	380,958
Umatilla Rural Fire Protection District #7-405	1,385,000	31.35%	434,198
Total Overlapping Debt	<u>206,403,745</u>		<u>74,494,748</u>
Total Direct and Overlapping Debt	<u>\$ 226,810,062</u>		<u>\$ 94,901,065</u>

The following tables present information regarding the City's tax-supported debt and the estimated portion of the debt of overlapping taxing districts allocated to the City's property owners.

2020-2021 data;	
RMV	\$ 1,622,258,494
Assessed Value	\$ 1,164,505,530
Estimated City Population	19,354

Bonded Debt Ratios

Direct Debt to RMV	1.26%
Direct and Overlapping Debt to RMV	5.85%
Per Capita RMV	\$ 83,820
Per Capita Direct Debt	\$ 1,054
Per Capita Direct and Overlapping Debt	\$ 4,903

Source: Umatilla County Assessors Office

DEMOGRAPHIC AND ECONOMIC INFORMATION

CITY OF HERMISTON, OREGON
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

Fiscal Year	Population (1)	Per Capita Income (2)	Total Personal Income	Unemployment Rate Umatilla County (3)
2013	16,995	31,871	541,647,645	8.8%
2014	17,240	33,773	582,246,520	7.9%
2015	17,520	35,598	623,676,960	6.3%
2016	17,730	36,894	654,130,620	5.9%
2017	17,925	37,734	676,381,950	5.6%
2018	17,985	39,684	713,716,740	4.6%
2019	18,200	41,928	763,089,600	4.3%
2020	18,415	44,604	821,382,660	8.6%
2021	18,775	48,439	909,442,225	5.6%
2022	19,696	*	*	3.8%

Notes:

* - Figure was not available

Sources:

- (1) Population for City of Hermiston, source: Portland State University Center of Population and Research
- (2) Data for Umatilla County, source: Bureau of Economic Analysis
- (3) Oregon State Employment Division

CITY OF HERMISTON, OREGON
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Amazon Web Services	2,058	1	16.83%	N/A		N/A
Wal-Mart Distribution Center	1,050	2	8.59%	800	2	7.10%
Good Shepherd Healthcare	767	3	6.27%	465	4	4.10%
First Coast Security	750	4	6.13%	N/A		N/A
Hermiston School District	631	5	5.16%	455	5	4.00%
Lamb Weston - Hermiston	625	6	5.11%	1,000	1	8.80%
Two Rivers Correctional Institute	440	7	3.60%	N/A		N/A
Wal-Mart Supercenter	356	8	2.91%	400	6	3.50%
Union Pacific Railroad	300	9	2.45%	300	7	2.70%
Marlette Homes	250	10	2.04%	N/A		N/A
River Point Farms	N/A		N/A	650	3	5.70%
Shearer's Foods	N/A		N/A	200	9	1.80%
Medelez Trucking	N/A		N/A	200	9	1.80%
Umatilla Army Depot	N/A		N/A	200	9	1.80%
Hermiston Foods	N/A		N/A	275	8	2.40%
	<u>7,227</u>		<u>59.11%</u>	<u>4,945</u>		<u>43.70%</u>

Note: Includes employers in the Greater Hermiston Area.

Source:

Oregon Employment Department

CITY OF HERMISTON, OREGON
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION
Last Ten Fiscal Years

Full-time Equivalent Employees as of December 31,

Function	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General Government	8.17	9.52	9.52	10.72	10.77	11.44	11.94	20.94	28.83	35.83
Public Safety	35.10	30.50	30.50	30.50	30.50	30.50	31.00	31.00	32.00	34.00
Highways and streets	5.65	6.47	6.47	5.33	5.33	6.69	7.19	7.19	6.64	5.50
Culture and recreation	24.95	23.00	23.00	23.50	23.50	25.50	27.00	36.00	36.00	36.00
Water	10.66	10.63	10.63	10.63	10.63	11.18	11.18	11.18	6.75	9.00
Sewer	11.62	11.30	11.30	11.30	11.30	10.85	11.35	11.35	9.50	10.50
Electric	2.31	2.31	2.31	2.31	2.31	2.32	2.31	2.31	1.00	1.00
Total	<u>98.46</u>	<u>93.73</u>	<u>93.73</u>	<u>94.29</u>	<u>94.34</u>	<u>98.48</u>	<u>101.97</u>	<u>119.97</u>	<u>120.72</u>	<u>131.83</u>

Source: City Administration Department

OPERATING INFORMATION

CITY OF HERMISTON, OREGON
OPERATING INDICATORS
BY FUNCTION
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
General Government										
Number of Taxi Tickets Sold										
Senior Citizen Taxi Program	30,706	30,306	27,095	21,336	16,066	19,133	21,299	16,664	12,651	13,208
WorkForce Taxi Rides	-	-	-	-	-	-	-	-	8,740	7,344
Public Safety										
Total Police Incidents	24,114	23,878	23,237	23,193	20,587	23,916	21,149	22,334	21,425	20,587
Officer initiated	9,335	9,160	13,205	13,097	10,457	12,570	9,693	11,509	10,591	10,457
Calls for police services	14,779	14,718	10,032	10,096	10,130	11,346	11,456	10,825	10,834	10,130
Number of traffic stops	5,113	4,227	6,596	6,699	4,595	5,384	4,337	5,913	4,236	4,595
Highways and streets										
Estimated miles of streets swept	3,205	3,301	3,541	3,486	3,506	3,506	3,506	3,520	3,536	3,550
Cultural and recreation										
Number of library items checked out	83,791	82,195	80,327	67,243	68,738	92,134	74,959	51,179	39,726	50,583
Number of Library patrons	11,064	12,700	9,279	10,447	10,991	11,911	9,640	8,671	8,950	9,399
Business-type activities										
Water										
Number of accounts	4,796	4,823	4,912	4,921	5,000	5,125	5,215	5,301	5,572	5,602
Annual consumption (in billions of gallons)	1,473	2,679	2,638	3,261	1,784	1,448	1,339	1,173	1,388	1,234
Sewer										
Number of accounts	4,540	4,585	4,665	4,736	4,801	4,885	4,989	5,073	5,229	5,344
Electricity										
Number of accounts	5,337	5,171	5,189	5,277	5,317	5,335	5,366	5,439	5,443	5,460
KWH sold	104,989,179	110,521,490	106,427,693	105,355,391	108,323,018	107,442,249	107,121,938	102,616,467	104,178,602	105,696,806

Source: City Departments

CITY OF HERMISTON, OREGON
CAPITAL ASSET STATISTICS BY FUNCTION
Last Ten Fiscal Years

Function	Fiscal Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Governmental activities										
General government										
Administrative buildings	2	2	2	2	2	2	2	2	2	2
Public Safety										
Police Stations	1	1	1	1	1	1	1	1	1	1
Patrol units										
Car	13	11	10	10	11	11	10	20	20	20
Motorcycles	2	1	1	1	1	1	-	-	-	-
Highways and streets										
Streets (miles)	64	64	73	73	73	74	75	76	77	78
Culture and recreation										
Library Collections:										
Printed materials	34,716	33,361	33,457	35,229	35,476	30,930	31,548	31,430	34,722	34,623
Audio materials	1,547	1,610	1,670	1,765	1,803	1,598	1,383	1,433	1,533	1,273
Video materials	1,725	1,782	1,733	2,082	1,955	1,929	1,819	1,867	1,742	1,637
Electronic materials	3,451	3,452	3,452	32,984	68,879	72,483	76,240	93,382	72,697	56,416
Business-type activities										
Water										
Miles of city water line	76	76	77	77	77	77	77	78	79	79
Miles of regional water system water line										
City wells	14	17	17	17	17	17	17	17	17	17
City wells	6	5	5	5	5	5	5	5	5	5
Sewer										
Storm water pump station:	3	3	3	3	3	3	3	3	3	3
Sewage pump stations	8	8	9	9	9	9	9	9	9	9
Clarifiers/sludge storage										
Gravity thickeners	4	4	4	5	5	5	5	5	5	5
Gravity thickeners	1	1	1	-	-	-	-	-	-	-
Electric										
Miles of overhead line	37	37	37	158	158	158	159	159	159	159
Miles of underground line										
Transformers	28	28	28	28	29	29	29	29	29	29
Transformers	1,359	1,415	1,435	1,834	1,472	1,893	1,907	1,914	1,937	1,987

Source: City Administration, Court, Police, and Development and Operations Departments

CITY OF HERMISTON, OREGON
GENERAL FUND ACTUAL OR BUDGETED
(Fiscal Years Ending June 30)

	Actual 2019	Actual 2020	Actual 2021	Actual 2022	Budgeted 2023
<u>Revenues:</u>					
Taxes	\$ 5,698,487	\$ 5,969,584	\$ 6,267,617	\$ 6,658,211	\$ 6,786,900
Licenses & Franchises	1,366,781	800,660	968,681	769,918	1,434,800
Fines & Penalties	350,087	333,706	210,762	392,013	400,000
Investment earnings (losses)	96,409	90,170	13,970	(50,798)	15,000
From Other Agencies	598,678	720,399	1,656,843	2,802,015	3,012,500
Service Charges	2,099,578	1,801,510	2,906,890	3,156,845	1,904,000
Non-Revenue Receipts	778,152	174,672	38,585	-	-
Miscellaneous Revenues	136,992	108,598	98,791	197,288	105,000
Interfund Transfers	525,578	1,352,100	1,207,291	2,527,128	1,945,689
Interfund Loan Proceeds	11,166	9,911	8,123	-	-
Cash Forward	3,388,050	3,031,180	2,359,717	946,056	1,101,699
Total Revenues	15,049,958	14,392,490	15,737,270	17,398,676	16,705,588
<u>Expenditures:</u>					
City Council	62,013	59,247	33,805	40,769	67,027
Manager/Planning/Legal	634,768	705,462	1,217,112	1,361,377	1,441,735
Finance	124,519	136,940	568,927	617,637	654,929
Court	394,084	427,244	522,978	541,135	833,378
Transportation	274,514	267,125	352,806	302,029	297,000
Airport	262,041	272,858	259,225	258,686	339,000
Building Inspections	412,347	423,807	460,914	461,059	600,157
Parks	678,054	664,768	681,340	754,185	731,981
Parks/Utility Landscaping	42,350	44,353	45,550	44,217	66,861
Municipal Pool	520,747	417,246	299,743	563,723	585,615
Municipal Buildings	117,367	122,154	132,931	138,962	145,173
Library	759,523	806,926	870,358	864,376	1,024,415
Recreation	698,762	611,302	533,516	808,562	874,159
Community Center	163,705	142,653	164,123	196,453	256,122
Harkenrider Center	47,028	52,133	41,187	58,726	64,064
Public Safety Center	99,389	60,228	63,472	60,592	62,000
Police Operations	4,887,986	5,300,096	5,350,589	5,574,333	6,169,885
Non-departmental	1,830,485	1,548,698	3,192,638	2,523,429	2,492,087
Unappropriated Balance	-	-	-	-	-
Total Expenditures	\$ 12,009,682	\$ 12,063,240	\$ 14,791,214	\$ 15,170,250	\$ 16,705,588

CITY OF HERMISTON, OREGON
Water & Sewer Operating Information

WATER

AVERAGE NUMBER OF CUSTOMERS

**TOTAL ANNUAL
CONSUMPTION
(1,000 Gallons)**

Year	Residential	Commercial	Total	Year	Total
2022	5,179	423	5,602	2022	1,234
2021	5,059	415	5,474	2021	1,388
2020	4,888	413	5,301	2020	1,173
2019	4,801	414	5,215	2019	1,339
2018	4,732	393	5,125	2018	1,448
2017	4,613	387	5,000	2017	1,784
2016	4,531	390	4,921	2016	3,261
2015	4,523	389	4,912	2015	2,638
2014	4,439	384	4,823	2014	2,679
2013	4,415	381	4,796	2013	1,473

SEWER

AVERAGE NUMBER OF CUSTOMERS

Year	Residential	Commercial	Total
2022	4,944	400	5,344
2021	4,834	395	5,229
2020	4,677	396	5,073
2019	4,603	386	4,989
2018	4,492	393	4,885
2017	4,414	387	4,801
2016	4,346	390	4,736
2015	4,276	389	4,665
2014	4,201	384	4,585
2013	4,159	381	4,540

CITY OF HERMISTON, OREGON

Water Operating Information

LARGEST CUSTOMERS OF THE WATER SYSTEM

Fiscal Year Ending June 30, 2022

Customer	Industry	(1) Total Gallons	Percent of Total Consumption	Fiscal Year Water Revenue	(2) Percent of Total Operating Revenue
Good Shepherd Medical	Medical	34,751,600	3.00%	\$ 127,189	2.67%
NW Housing Alternative	Apartments	26,562,700	2.30%	95,477	2.00%
Village Park	Apartments	21,174,600	1.83%	77,332	1.62%
Columbia Basin Extracting	Processing	14,494,700	1.25%	52,769	1.11%
Chateaubri Mobile Home	Mobile Home Park	14,141,800	1.22%	50,879	1.07%
Uma. Co. 4th Street Aspens	Apartments	7,865,100	0.68%	28,705	0.60%
Desert Oak Estates	Mobile Home Park	7,230,800	0.62%	1,069 ⁽³⁾	0.02%
Walmart Stores	Retail	5,960,500	0.52%	21,955	0.46%
Viewcrest Apartments	Apartments	5,851,000	0.51%	24,626	0.52%
Sundial Apartments	Apartments	5,566,900	0.48%	20,213	0.42%
		143,599,700	12.41%	\$ 500,214	10.49%

(1) Consumption in gallons, rounded to nearest hundred, based on FY2022 water consumption of 1,157,314,500.

(2) Based on FY2022 audited Water System total operating revenue of \$4,767,666.

(3) Desert Oak Estates bills each individual home for water, amounts billed have been deducted from revenue above.

CITY OF HERMISTON, OREGON
Water Rates and Charges

Consumption	07/01/14	01/01/15	07/01/15	07/01/16	07/01/17	10/01/17	03/01/18	03/01/19	03/01/20	03/01/21	03/01/22
First 3,000 gallons (minimum charge)	15.85	16.48	17.14	17.14	18.00	18.90	19.82	0.00	0.00	0.00	0.00
Each 1,000 gal over 3,000 up to and including 13,000 gal	1.20	1.25	1.30	1.30	1.37	1.43	1.50	0.00	0.00	0.00	0.00
Each 1,000 gallons over 13,000 gallons	1.00	1.03	1.08	1.08	1.13	1.19	1.25	0.00	0.00	0.00	0.00
Residential & Commercial - base rate per meter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	30.00	30.54	31.52	32.37
Each 1,000 gallons up to 15,000 gallons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.50	0.51	0.52	0.54
Each 1,000 gallons over 15,000 gallons	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.50	3.56	3.63	3.76

Special water use from a fire hydrant, upon approval of the water superintendent, shall be charged at two times the water rate in effect, based on the water rates shown above.

CITY OF HERMISTON, OREGON

Sewer Operating Information

LARGEST CUSTOMERS OF THE SEWER SYSTEM

Fiscal Year Ending June 30, 2022

Customer	Industry	(1) Total Gallons	Percent of Total Consumption	Fiscal Year Sewer Revenue	(2) Percent of Total Operating Revenue
Northwest Housing Alternative	Apartments	9,969,200	2.15%	\$ 49,684	0.99%
Good Shepherd	Medical	7,656,000	1.65%	24,707	0.49%
Village Park	Mobile Home Park	7,512,400	1.62%	74,187	1.48%
Tower Apartments	Apartments	7,080,800	1.53%	71,813	1.43%
Chateaubri Mobile Home Park	Mobile Home Park	6,619,600	1.43%	39,006	0.78%
Hermiston High School	School	6,385,600	1.38%	20,415	0.41%
Terra Linda Estates	Mobile Home Park	6,180,000	1.33%	65,067	1.30%
Columbia Basin Extracting LLC	Processing	5,428,600	1.17%	76,160	1.52%
Hacienda West	Apartments	4,570,000	0.99%	28,551	0.57%
Sundial Apartments	Apartments	4,524,000	0.98%	43,067	0.86%
		65,926,200	14.24%	\$ 492,657	9.83%

(1) Consumption in gallons, rounded to nearest hundred, based on FY2022 water consumption of 463,080,600.

(2) Based on FY2022 audited Sewer System total operating revenue of \$5,012,002.

CITY OF HERMISTON, OREGON
Sewer Rates and Charges

Consumption	Sewer Rates Effective as of										
	01/01/14	07/01/14	01/01/15	07/01/15	07/01/16	07/01/17	10/01/17	03/01/18	03/01/19	03/01/20	03/01/21
Dwelling units - monthly flat rate	20.95	21.78	22.65	23.56	23.56	24.74	25.97	27.25	0.00	0.00	0.00
Motel units - per-month unit charge	13.30	13.83	14.39	14.96	14.96	15.71	16.49	17.30	0.00	0.00	0.00
Commercial - base rate for first 5,000 gallons	22.81	23.72	24.67	25.65	25.65	26.93	28.28	29.66	0.00	0.00	0.00
Plus: per 1,000 gallons of water thereafter	1.15	1.20	1.25	1.30	1.30	1.37	1.43	1.50	0.00	0.00	0.00
Residential & Commercial - base rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	35.00	35.63	36.39
Plus: per 1,000 gallons of water thereafter	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3.00	3.05	3.12

CITY OF HERMISTON, OREGON
Pension Cost Trends Oregon State and Local Government Rate Pool
(in thousands)

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Actuarial Accrued Liability/ (Surplus)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/21	36,315,800	47,155,100	10,839,300	77%	7,439,500	146%
12/31/20	31,884,900	46,382,200	14,497,300	69%	7,134,300	203%
12/31/19	31,384,100	44,122,100	12,738,000	71%	6,768,800	188%
12/31/18	29,383,700	43,149,300	13,765,600	68%	6,346,100	217%
12/31/17	30,899,700	42,150,700	11,251,000	73%	5,897,800	191%
12/31/16	28,032,600	40,351,300	12,318,700	69%	5,714,000	216%
12/31/15	27,682,700	38,396,800	10,714,100	72%	5,594,300	192%
12/31/14	28,465,300	37,169,900	8,704,600	77%	5,390,800	161%
12/31/13	27,855,300	31,738,800	3,883,500	88%	5,121,900	76%
12/31/12	25,464,100	30,601,900	5,137,800	83%	5,018,000	102%

Source: Milliman Actuarial Valuation Report

REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS

Barnett & Moro, P.C.

Certified Public Accountants

DENNIS L. BARNETT, C.P.A.
KRISTIE L. SHASTEEN, C.P.A.
CAMERON W. ANDERSON, C.P.A.
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SHERON VARIKATT, C.P.A.

INDEPENDENT AUDITORS' REPORT **REQUIRED BY OREGON STATE REGULATIONS**

Mayor and City Council
City of Hermiston, Oregon

We have audited the basic financial statements of the City of Hermiston, Oregon as of and for the year ended June 30, 2022, and have issued our report thereon dated January 20, 2023. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether City of Hermiston, Oregon's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- Deposit of public funds with financial institutions (ORS Chapter 295).
- Indebtedness limitations, restrictions and repayment.
- Budgets legally required (ORS Chapter 294).
- Insurance and fidelity bonds in force or required by law.
- Programs funded from outside sources.
- Highway revenues used for public highways, roads, and streets.
- Authorized investment of surplus funds (ORS Chapter 294).
- Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).

In connection with our testing nothing came to our attention that caused us to believe City of Hermiston, Oregon was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, except for the following:

- Expenditures in excess of appropriations listed in the Notes to the Required Supplementary Information.
- Notices of budget meetings were not published as required.

OAR 162-10-0230 Internal Control


In planning and performing our audit, we considered City of Hermiston, Oregon's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hermiston, Oregon's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Hermiston, Oregon's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report is intended solely for the information and use of management, the City Council, and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these specified parties.

Barnett & Moro, P.C.

By: 

Richard L. Stoddard, Shareholder
Hermiston, Oregon
January 20, 2023

SINGLE AUDIT SECTION

CITY OF HERMISTON, OREGON

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Program Name</u>	<u>Passed Through</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Grant Number</u>	<u>Amount</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>					
Coronavirus Relief Fund	Oregon Dept of Administrative Services	21.027		Not available	<u>\$ 133,910</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>					
<u>Child Nutrition Cluster</u>					
Summer Food Service Program for Children	Oregon Dept of Education	10.559		Not available	<u>14,301</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>					
Airport Improvement Program	Not Applicable	20.106	X	3-41-0024-014-2021	1,479,452
Airport Improvement Program	Not Applicable	20.106	X	3-41-0024-016-2021	<u>59,000</u>
Total Airport Improvement Program					<u>1,538,452</u>
<u>Highway Safety Cluster</u>					
State and Community Highway Safety	Oregon Impact	20.600		Not available	3,846
State and Community Highway Safety	Oregon Dept of Transportation	20.600		Not available	<u>2,997</u>
Total State and Community Highway Safety					<u>6,843</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	Oregon Impact	20.601		Not available	<u>1,082</u>
Total U.S. Department of Transportation					<u>1,546,377</u>

Continued on next page

CITY OF HERMISTON, OREGON

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

Continued from previous page

<u>Federal Grantor/Program Name</u>	<u>Passed Through</u>	<u>Federal CFDA Number</u>	<u>Major Program</u>	<u>Grant Number</u>	<u>Amount</u>
<u>U.S. DEPARTMENT OF COMMERCE:</u>					
<u>Economic Development Cluster</u>					
Investments for Public Works and Economic Development Facilities	Not Applicable	11.300	X	07-01-07544 URI: 114050	997,734
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>					
Disaster Grants - Public Assistance	Oregon Military Dept	97.036		DR-4452	28,593
<u>U.S. DEPARTMENT OF JUSTICE:</u>					
Bulletproof Vest Partnership Program	Not Applicable	16.607		Not available	1,869
Total Federal Expenditures					<u><u>\$ 2,722,784</u></u>

CITY OF HERMISTON, OREGON

Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

NOTE A - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Hermiston, Oregon and is presented on the modified accrual basis of accounting as described in note 1 to the basic financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. City of Hermiston, Oregon uses the 10% de minimis cost rate as explained in the Uniform Guidance.

Barnett & Moro, P.C.

Certified Public Accountants

DENNIS L. BARNETT, C.P.A.
KRISTIE L. SHASTEEN, C.P.A.
CAMERON W. ANDERSON, C.P.A.
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Mayor and City Council
City of Hermiston, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermiston, Oregon, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise City of Hermiston, Oregon's basic financial statements and have issued our report thereon dated January 20, 2023.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Hermiston, Oregon's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Hermiston, Oregon's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Hermiston's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.


Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Hermiston, Oregon’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barnett & Moro, P.C.

By: 

Richard L. Stoddard, Shareholder
Hermiston, Oregon
January 20, 2023

Barnett & Moro, P.C.

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE

Mayor and City Council
City of Hermiston, Oregon

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Hermiston, Oregon's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Hermiston, Oregon's major federal programs for the year ended June 30, 2022. City of Hermiston, Oregon's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Hermiston, Oregon complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Hermiston, Oregon and to meet our ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Hermiston, Oregon's compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Hermiston, Oregon's federal programs.

Auditors' Responsibility for the Audit Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Hermiston, Oregon's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Hermiston, Oregon's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Hermiston, Oregon's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Hermiston, Oregon's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Hermiston, Oregon's internal control over compliance. Accordingly, no such opinion is expressed.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Barnett & Moro, P.C.



Richard L. Stoddard, Shareholder
January 20, 2023

CITY OF HERMISTON, OREGON

Schedule of Findings and Questioned Costs

Year Ended June 30, 2022

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: unmodified opinion

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified? _____ yes X no

Type of auditor's report issued on compliance for major program: unmodified opinion

Any audit findings disclosed that are required to be reported in accordance with section 200.516 of Title 2 CFR Part 200? _____ yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
11.300	Economic Development Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? _____ yes X no

Section II-Financial Statement Findings

There are no financial statement award findings for the year ended June 30, 2022.

Section III-Federal Award Findings and Questioned Costs

There are no federal award findings or questioned costs for the year ended June 30, 2022.

CITY OF HERMISTON, OREGON

SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS

Year Ended June 30, 2022

QUESTIONED COSTS:

There were no questioned costs for the year ended June 30, 2021.

FINDINGS:

There were no findings relative to federal awards for the year ended June 30, 2021.



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